

WORLD NEWS

THE CLINTON CRISIS

WEAK PRESIDENCY FINANCIAL TURMOIL, IRAQI INTRANSIGENCE, AND NUCLEAR PROLIFERATION — ALL DEMAND WORLD LEADERSHIP

US paralysis worsens global nerves

By Stephen Fidler
in Washington

A presidential crisis in the US is always a matter for world concern. When it comes at a time of world political and economic instability the concern deepens.

In the last few months, the US has seen its policy towards disarmament and non-proliferation challenged by the nuclear tests in India and Pakistan; it appears to have come off worse in its latest confrontation with Iraq over inspections of weapons facilities; and it has viewed its policy toward Russia descend into chaos.

Perhaps most worryingly of all, it has watched Asia's financial crisis develop into a worldwide affair and begun

to challenge the market friendly economic model which much of the world, encouraged by the US, has been following since the end of the cold war.

How many of these unsettling developments can be laid at the door of a weak presidency is open to debate. Certainly, Mr Clinton's political opponents have no doubt, Sam Brownback, a republican Senator from Kansas, has linked what he describes as the administration's weakness in confronting Saddam Hussein, the Iraqi leader, to the Clinton character. The US, he said, has talked tough, but done all it can to avoid confrontation with Iraq, revealing a pattern of duplicity and deceit which may also be evident in other aspects of

foreign policy.

"Leadership and foreign policy is about trust and other leaders' judgment of your character... What they see is what they get. The president is challenged on both counts and is losing if he has not already lost, the ability to lead our conflict with Iraq and with other nations around the world. This is a most perilous problem we face."

Others would not go so far on the character issue. Any downplaying of the confrontation with Iraq appears to be more a consequence of the unwillingness of other members of the UN Security Council to confront the Iraqi leader.

While Clinton's talks with President Boris Yeltsin of Russia last week may not

have been very productive, given Russian political and economic uncertainty, it is difficult to see how they could have been. In Ireland, neither Tony Blair, the British prime minister, nor Bertie Ahern, his Irish counterpart, showed any signs that they wanted to avoid public appearances with Mr Clinton. On the contrary.

Indeed, the US may not be all powerful and its president may be viewed as a flawed personality, but the US remains the only superpower. As such it is not so much Mr Clinton's relations with his counterparts abroad that is the central problem for US foreign policy, but his administration's relations with a Republican-dominated Congress.

According to some foreign

policy analysts, it is this domestic weakness that lessens Mr Clinton's freedom of action abroad.

Michael O'Hanlon, of the Brookings Institution, has said Mr Clinton's decision to attack a terrorist base in Afghanistan last month with cruise missiles was conditioned on his inability to carry out a military attack with ground forces or strike aircraft that would have stood a greater chance of success.

An administration that was stronger would almost certainly have been able to secure increased funding for the International Monetary Fund from Congress by now, providing some possible protection from a further spreading of the Asian financial crisis to Latin America.

A request to boost IMF funding by \$18bn was rejected by the US House of Representatives on Thursday, limiting its ability to extend credit to troubled economies.

This weakness in the US is compounded by the severe troubles of the Japanese government and the impending election in Germany, which may unsettle Helmut Kohl.

However, the stock of Robert Rubin, Treasury secretary and Alan Greenspan, US Federal Reserve chairman remains high. Mr Rubin's team is regarded as highly competent, though their handling of the Russian crisis has met with criticism. Washington, weak or strong, is still the key to any international initiatives, above all, in the realm of international finance.

Chinese ponder leaders' taste for 'Peking duck'

The White House scandal is raising questions about how China's own top officials should behave, writes James Kynge

For China's emergent chattering classes, the scandal rocking the White House has been a source of ill repressed glee. In restaurants, think-tanks and ministries, every aspect of President Bill Clinton's behaviour is dissected and picked clean.

But, sooner or later, faces turn reflective and comparisons start to be made. Sometimes, what at first appear to be criticisms of the US turn out to be condemnations of China.

"This type of scandal is impossible in China," said Yang Xuejun, research fellow at the China Society for Strategy and Management Research. "Here, it is only after a leader has been disgraced that you get to know he had all sorts of girls."

A case study is ready to

hand, Chen Xitong, the former mayor of Beijing and a member of the elite politburo, was sentenced in July to 18 years in jail. His crime was corruption, but China's usually vigilant censors did nothing to hinder the sale of books describing his multiple sexual escapades.

Memories of Mr Clinton are still fresh in Chinese minds. His nine-day visit to China in June and July was officially hailed as a diplomatic triumph. Ordinary Chinese still recall the praise he heaped upon his counterpart Jiang Zemin, who, he said, had vision, imagination and intelligence.

But the repeated moral guidance he offered to his Chinese hosts now rings a little hollow in Beijing.

"How can he lecture us on human rights now, or on

anything else?" said one ministry official. "This will undercut the moral authority that is at the heart of US foreign policy."

But some, however, do not believe that Mr Clinton has devalued the office of the presidency with his actions.

"US moral authority is not defined by US sexual morals. There are bigger principles — liberty and democracy for example," said Jia Qingguo, a professor at Beijing University's school of international studies.

Another academic, who declined to be identified, said that, although Mr Clinton's private life might raise sniggers around the world, it would not diminish the influence of the world's only superpower.

"Diplomacy is realpolitik, and realpolitik only," said

the academic. "It all comes down to cruise missiles, aircraft carriers and computer chips."

In some senses, too, the reputation of the US in China may derive a boost from the events unfolding on Capitol Hill. The concept of an independent counsel using state funds to investigate the head of state is little short of astounding to a Chinese audience. To some it is also admirable.

"The fact that even the president is not above the law is truly an enviable fact," said one ministry official.

Academics in government think-tanks said that special prosecutor Kenneth Starr's pursuit of Mr Clinton had served as fuel for a lively debate on how far China should go to build a genuine "rule of law". Chinese leaders are all members of the Communist party, which ranks above everything — including the law.

But, says Mr Jia, in Mr Clinton's case the law has been manipulated to lay a trap for the president by a political opponent. Anyone human would have lied, he



Chen Xitong, former Beijing mayor, jailed in July for corruption AP

said, if accused of adultery without being shown any hard evidence.

There is in Beijing a widespread sense, however, that any legal process which ensures a sitting president is inimical to a state's prestige. And, from a purely practical point of view, the departure of Mr Clinton would be unlikely to serve China's foreign policy goals, officials said.

Several cultural contrasts have been highlighted by the Lewinsky scandal, not just in the realm of sex. US

notions of public apology and forgiveness appear somewhat foreign to many Chinese. Though China has a strong tradition of self-criticism — especially during the chaotic Cultural Revolution of 1966-1976 — such acts more often than not presaged a person's downfall rather than their redemption.

Being a Chinese leader, it appears, means never having to say you are sorry. A popular saying has it that they are born in the "year of the duck" — their beaks are not designed for apologies.

Net Nannies may miss out on the world web frenzy

Louise Kehoe in San Francisco reports on the internet's biggest political moment

On the internet, everyman is a political commentator. Hundreds of thousands — perhaps even millions — of people are expected to read portions of Kenneth Starr's investigation of the president on internet websites and make up their own minds about his future.

However, America's informal internet referendum will depend largely upon how well the technology performs. Three congressional websites were set to publish substantial portions of the report. Each is designed to handle thousands of simultaneous visitors, but they could be swamped if, as some observers are predicting, hundreds of thousands of people attempt to see the historic documents as soon as they are released.

Internet users who have installed "filter" programs such as SurfWatch and Net Nanny, which screen out sexually explicit material, may find themselves blocked from websites carrying the Starr report if it contains language describing sexual activity. The filter programs, designed to enable parents to screen out pornography are also widely used by businesses that want to avoid "inappropriate" materials in the workplace.

Since all three of the congressional websites are hosted on computers in the Washington area, US East Coast links to the internet could become clogged by the extra data traffic, effectively blocking access, technology experts warned.

Internet users can expect to see messages saying that the websites are unavailable, or find the pace at which they can download the documents

slowing to a crawl. The best solution to the anticipated rush would be to "mirror" the electronic document on websites dispersed around the world, said Mark Worsey, vice president of operations for Netscape Communications' Netscape website, one of the busiest on the internet. This would spread the load among numerous websites.

For full coverage of the crisis in the White House, and links to internet sites carrying the transcript of the independent counsel's report, visit the FT's online edition, www.ft.com

Several US news organisations said yesterday they planned to copy the report to their own websites, rather than providing the usual links to the original documents. This could help to offset congestion on the congressional websites.

America Online, the largest internet service with some 13m subscribers, said it was "well prepared" for the expected onslaught. The service planned to copy the report to several computers. "The American public will be able to read the report at the same time as the media and members of Congress," AOL said.

Amid predictions that the Starr report could break all records for internet activity, US news websites were scrambling to add capacity. Since President Clinton's admission of a relationship with Monica Lewinsky, CNN Interactive has received 320,000 hits (requests for information) per minute.

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THE CLINTON CRISIS

STOCK MARKETS SIGNS OF STABILITY

Wobbly start as political jitters grow

By Philip Coggan, Markets Editor

Global stock markets wobbled for a while but then stabilised yesterday, as investors awaited the publication of the Starr report and its potential effect on the Clinton presidency.

The 250-point fall in the Dow Jones Industrial Average and the battering taken by Latin American bourses on Thursday ensured that markets got off to an uncertain start in Asia, with Tokyo dropping 5.1 per cent to send the Nikkei 225 average back below 14,000.

Data showing the Japanese economy had shrunk for the third quarter in succession was published after the market closed. Seoul and Hong Kong also fell sharply.

European markets moved lower at the start of trading, with the FTSE 100 index in London at one point falling 147.8 to 4,988.8. But they rebounded in the late morning, as electronic futures trading indicated that Wall Street would open higher.

In the event, the Dow dipped for the first few minutes but rebounded as President Clinton made it clear that he was not planning to resign and made his most fulsome apology to date. At one point, the Dow was more than 100 points ahead; by 1pm New York time, it was 32.44 higher at 7,547.98.

European bourses thus finished well off their lows, with the CAC 40 in Paris off just 0.3 per cent and the DAX in Frankfurt managing a 0.2 per cent rise on the day. Footsie closed down 18 points at 5,118.8, having now lost all its gains for the year.

Market reaction may have been tempered by the realisation that Mr Clinton's departure would have little difference to economic policy. "Thank God, it's not someone really important like Greenspan or Rubin," quipped one trader, referring

to the key role played by the Federal Reserve chairman and the Treasury secretary in sustaining the US economic boom and bull market of recent years.

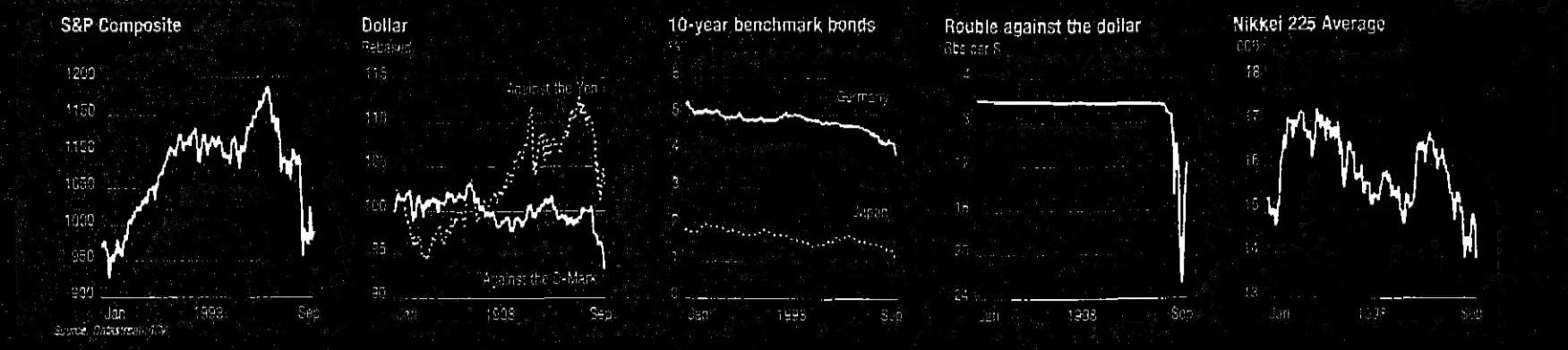
However, one strategist, James Montier at BT Alex Brown in London, said he thought some investors might be worried about the policies of US vice-president Al Gore if he became president. "He's believed to favour the environment over the economy," he said.

Others said that the Clinton worries had given investors an excuse to sell shares at a time when they were already extremely nervous, following the crisis in emerging markets and the correction in global stock markets since mid-July. "Fund managers are starting to realise that there is a corporate earnings squeeze under way," said Jonathan Francis, head of global strategy at Putnam Investment Management in Boston.

The troubles facing Mr Clinton may also mean that the US will be unable to provide economic leadership when the world is facing the danger of a recession. At the same time, Chancellor Helmut Kohl faces an election in Germany, the Russians are changing prime ministers and the new Japanese government is widely seen as lacking a clear strategy.

The indications from Mr Clinton that he will vigorously fight impeachment proceedings could be a mixed blessing for the market, given that it will drag out the affair and the accompanying investor uncertainty for several months. There were signs that investors remained highly nervous in the wake of the emerging markets crisis. Lehman Brothers, the US investment bank, was forced to deny rumours of financial difficulties after its shares dipped sharply in early trading yesterday.

Trouble across the board



BOND MARKETS BRAZIL AND RUSSIA TAKE A POUNDING

Yields hit record lows as investors play safe

By Edward Luca, Capital Markets Editor

Government bond yields plunged historic lows in Japan and Germany yesterday as terrified investors fled equities and other markets for the safest havens available.

At the same time, emerging market bonds took a pounding with Brazil and Russia the worst hit. The yield on Russia's three-year benchmark dollar bond widened to 81 per cent - the biggest premium ever recorded on a mainstream emerging market instrument.

J.P. Morgan's emerging market bond index widened to a spread of almost 1,800 basis points (1.8 percentage

points) over the yield on US Treasury bonds. This is marginally below the widest ever spread of 1,924 basis points recorded at the height of the Mexico "Tequila" crisis in 1995.

Market attention, however, was focused mostly on the continued slide in government bond yields in the leading developed countries.

The yield on the German 10-year bond dropped below 4 per cent for the first time in modern history while the yield on Japan's long-bond slid to a fresh nadir of just 0.78 per cent. Until last Wednesday, it had never before breached one per cent.

In textbook terms, ever-lower government bond yields spells fear of deflation," said Stephen King,

managing director of economics at HSBC Markets in London. "However in the real world it is much harder to judge: at the moment investors are simply panicking and fleeing to the safest instruments."

Economists said there were broadly two discernible trends. In the US, where the 30-year Treasury yield yesterday continued to fall towards 5 per cent, investors were betting on a cut in short-term interest rates, analysts said. The US Federal Reserve is expected to lower interest rates to help stimulate global economic demand. Lower interest rates generally boost bond prices (and cause yields to fall) by making cash less

attractive. However, in Germany, where interest rates are already two percentage points lower than in the US, investors were simply parking their money in the safest haven - German government bonds and the D-Mark.

Alison Cottrell, chief international economist at PalnWebber in London, said the German yield could have much further to fall.

"If Brazil is the next to go [to default] and then Latin America collapses this could continue for a long time," said Ms Cottrell. "The German yield could fall to 3.50 per cent."

In ordinary conditions, lower bond yields are expected to stimulate economic activity by reducing the cost

of borrowing. However, economists pointed out that the lowering of yields had been broadly tracked by the general lowering of inflation forecasts. German inflation fell to just 0.5 per cent in August for example. "This means that the 'real yield' - the difference between the nominal yield and the rate of inflation - has remained broadly unchanged. In other words, the potential economic stimulus of lower yields had been negated by lower inflation."

Economists said the massive outflow of funds from emerging markets was likely to continue unless there was a hitherto unexpected intervention by the US and other governments.

"Current account deficits are widening across all emerging economies because of falling commodity prices which means lower export revenues," said Mr King.

"Emerging markets cannot fund these deficits by borrowing because investors are too scared to lend to them. This presents two choices: either they cut fiscal spending which leads to recession. Or they impose capital controls and default on their debt."

Given this bleak prognosis, government bond yields in Germany, Japan and the US are expected to slide further. The spread on the emerging market bond index, on the other hand, looks set to continue widening towards a new record.

LATIN AMERICA MARKETS BEGIN TO RECOVER

Brazil bounces back after bank interest rate rise

By Jonathan Wheatley in São Paulo and Ken Warr in Buenos Aires

Brazilian stocks showed signs of recovery yesterday after the central bank raised its primary lending rate to 48.97 per cent in an attempt to stem a flood of capital from the country. But traders said the mood on stock markets remained highly volatile. The Bovespa benchmark equity index in São Paulo dropped sharply at the opening, losing 3.6 per cent in less than half an hour.

Equities recovered and were up 5 per cent by mid-session in what was seen as a technical correction. The Bovespa index has dropped more than 25 per cent this month following a 40 per cent fall in August.

Brazil's central bank raised interest rates for the second time this week late on Thursday. Dollar outflows between the beginning of the month and September 10 were almost \$11bn (\$8.6bn) after an outflow of \$11.9bn in August. Dealers said the outflow continued

yesterday but was likely to be less than the \$2bn recorded on Thursday.

Argentina's stock market also bounced back in early trading, helped by the strong rise in Brazil and modest early gains on Wall Street.

Brazil's Merval leading share index up 3 per cent to 310.85 points. However, trading remained nervous following Thursday's 13.3 per cent fall, which pushed local stocks down towards levels last seen during Mexico's 1995 Tequila crisis.

Worries over Brazil and

US political uncertainty continued to weigh on the market, which has proved unable to differentiate itself from Brazil and other emerging markets in the minds of foreign investors. In spite of a campaign by officials to underline what they see as Argentina's strong economic fundamentals.

Elsewhere in the region, Venezuela's General Stock Index opened 0.85 per cent higher at 2,717.72. The Venezuelan Bolivar was weaker against the dollar, but in relatively light trading.

Mexican stocks also rebounded with the key IPC index up 74.81 points or 2.6 per cent at 2,930.31 points at 9.30am local time.

The European Central Bank yesterday admitted for the first time that the international financial turmoil would hit world economic growth. The comment reflects heightened concern among European policy makers about the impact of the financial turmoil in Asia and Russia on the European economy, writes Wolfgang Munchau.

Wim Duisenberg, president of the European Central Bank, said last night: "There is no doubt that these developments will have a dampening effect on the world economy."

He appeared more concerned about the indirect effects of the crisis, which he said were difficult to forecast because they are largely psychological. "In this respect one may think of indirect influences resulting from changes in confidence, saving and expenditure within the euro area."

THE STARR REPORT

'A pattern of conduct...inconsistent with his duty'

Introduction
As required by Section 595(c) of Title 28 of the United States Code, the Office of the Independent Counsel "OIC" hereby submits substantial and credible information that President William Jefferson Clinton committed acts that may constitute grounds for an impeachment.

The information reveals that President Clinton:
● lied under oath at a civil deposition while he was a defendant in a sexual harassment lawsuit;
● lied under oath to a grand jury;

● attempted to influence the testimony of a potential witness who had direct knowledge of facts that would reveal the falsity of his deposition testimony;
● attempted to obstruct justice by facilitating a witness's plan to refuse to comply with a subpoena;
● attempted to obstruct justice by encouraging a witness to file an affidavit that the President knew would be false, and then by making use of that false affidavit at his own deposition;
● lied to potential grand jury witnesses, knowing that they would repeat those lies before the grand jury;
● engaged in a pattern of conduct that was inconsistent with his constitutional duty to faithfully execute the laws.

The evidence shows that these acts, and others, were part of a pattern that began as an effort to prevent the disclosure of information about the President's relationship with a former White House intern and employee, Monica S. Lewinsky, and continued as an effort to prevent the information from being disclosed in an ongoing criminal investigation.

leaged the ability of a private litigant to pursue a lawsuit against a sitting President. In May 1997, the Supreme Court unanimously rejected the President's legal argument. The Court concluded that Ms. Jones, "like every other citizen who properly invokes [the District Court's] jurisdiction...has a right to an orderly disposition of her claims," and that therefore Ms. Jones was entitled to pursue her claims while the President was in office. A few months later, the pretrial discovery process began.

One sharply disputed issue in the Jones litigation was the extent to which the President would be required to disclose information about sexual relationships he may have had with "other women." Ms. Jones's attorneys sought disclosure of this information, arguing that it was relevant to proving that the President had propositioned Ms. Jones. The President resisted the discovery requests, arguing that evidence of relationships with other women (if any) was irrelevant.

In late 1997, the issue was presented to United States District Judge Susan Webber Wright for resolution. Judge Wright's decision was unambiguous. For purposes of pretrial discovery, President Clinton was required to provide certain information about his alleged relationships with other women.

In an order dated December 11, 1997, for example, Judge Wright said: "The Court finds, therefore, that the plaintiff is entitled to information regarding any sexual relationships the President had with other women."



Paula Jones: her lawyers sought disclosure of other relationships

formation regarding any individuals with whom the President had sexual relations or proposed or sought to have sexual relations and who were during the relevant time frame state or federal employees."

Judge Wright left for another day the issue whether any information of this type would be admissible in the case to go to trial. But for purposes of answering the written questions served on the President, and for purposes of answering questions at a deposition, the District Court ruled that the President must respond.

In mid-December 1997, the President answered one of the written discovery questions posed by Ms. Jones on this issue. When asked to identify all women who were state or federal employees and with whom he had had "sexual relations" since 1986, the President answered under oath: "None." For purposes of this interrogatory, the term "sexual relations" was not defined.

On January 17, 1998, President Clinton was questioned under oath about his relationships with other women in the workplace, this time

at a deposition. Judge Wright presided over the deposition. The President was asked numerous questions about his relationship with Monica Lewinsky, by then a 24-year-old former White House intern, White House employee, and Pentagon employee.

Under oath and in the presence of Judge Wright, the President denied that he had engaged in a "sexual affair," a "sexual relationship," or "sexual relations" with Ms. Lewinsky. The President also stated that he had no specific memory of having been alone with Ms.

Lewinsky, that he remembered few details of any gifts they might have exchanged, and indicated that no one except his attorneys had kept him informed of Ms. Lewinsky's status as a potential witness in the Jones case.

The investigation
On January 12, 1998, this Office received information that Monica Lewinsky was attempting to influence the testimony of one of the witnesses in the Jones litigation, and that Ms. Lewinsky herself was prepared to provide false information under oath in that lawsuit.

The OIC was also informed that Ms. Lewinsky had spoken to the President and the President's close friend Vernon Jordan about being subpoenaed to testify in the Jones suit, and that Vernon Jordan and others were helping her find a job. The allegations with respect to Mr. Jordan and the job search were similar to ones already under review in the ongoing Whitewater investigation.

After gathering preliminary evidence to test the information's reliability, the OIC presented the evidence to Attorney General Janet Reno. Based on her review of the information, the Attorney General determined that a further investigation by the Independent Counsel was required.

On the following day, Attorney General Reno petitioned the Special Division of the United States Court of Appeals for the District of Columbia Circuit, on an expedited basis, to expand the jurisdiction of Independent Counsel Kenneth W. Starr.

On January 28, 1998, after the allegations about the President's relationship with Ms. Lewinsky became public, the OIC filed a Motion for Limited Intervention and a Stay of Discovery in Jones v. Clinton. The OIC argued that the civil discovery process should be halted because it was having a negative effect on the criminal investigation.

The OIC represented to the Court that numerous individuals then under subpoena in Jones, including Monica Lewinsky, were integral to the OIC's investigation, and that courts routinely stayed discovery in such circumstances.

The next day Judge Wright ruled that discovery would be permitted to continue, except to the extent that it sought information about Monica Lewinsky. The Court acknowledged that "evidence concerning Monica Lewinsky might be relevant to the issues in [the Jones] case."

It concluded, however, that this evidence was not "essential to the case issues in this case," and that some of that evidence "might even be inadmissible."

The Court found that the potential value of this evidence was outweighed by the potential delay to the Jones case in continuing to seek discovery about Ms. Lewinsky.

The Court also was concerned that the OIC's investigation "could be impaired and prejudiced were the Court to permit inquiry in to the Lewinsky matter by the parties in this civil case."

April 1, 1998, Judge Wright granted President Clinton's motion for summary judgment, concluding that even if the facts alleged by Paula Jones were true, her claims failed as a matter of law.

Ms. Jones has filed an appeal, and as of the date of this Referral, the matter remains under consideration by the United States Court of Appeals for the Eighth Circuit.

After careful consideration of all the evidence, the OIC has concluded that the evidence of wrongdoing is substantial and credible, and that the wrongdoing is of sufficient gravity that it warrants referral to Congress.

This Office is authorized, rather, to conduct criminal investigations and to seek criminal prosecutions for matters within its jurisdiction.

In carrying out its investigation, however, this Office also has a statutory duty to disclose to Congress information that "may constitute grounds for an impeachment," a task that inevitably requires judgment about the seriousness of the acts revealed by the evidence.

From the beginning, this phase of the OIC's investigation has been criticized as an improper inquiry into the President's personal behavior; indeed, the President himself suggested that specific inquiries into his conduct were part of an effort to "criminalize my private life."

The regrettable fact that the investigation has often required witnesses to discuss sensitive personal matters has fueled this perception. All Americans, including the President, are entitled to enjoy a private family life, free from public or governmental scrutiny. But the privacy concerns raised in this case are subject to limits, three of which we briefly set forth here.

● Where's Whitewater? The allegations reportedly include no suggestion of wrongdoing by the President in any of the areas which Mr Starr spent four years investigating: Whitewater, the FBI files and the White House travel office. What began as an inquiry into a 24-year-old land deal in Arkansas has ended as an inquest into brief, improper personal encounters between the President and Monica Lewinsky. - Reuters

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HOLOCAUST CLAIMS VOLCKER COMMITTEE REPORTS ON PROGRESS IN SWISS BANK INVESTIGATION

Half of dormant accounts unclaimed

By John Authers in New York

More than half the dormant accounts in Swiss banks which were publicised last year are still unclaimed, while the remaining accounts have an average of four claimants each, the committee arbitrating on the issue announced yesterday.

The figures were released by Paul Volcker, former chairman of the US Federal Reserve, who is chairing the committee, which is drawn from Swiss banks and Jewish community organisations. The release followed criticism that the process of

arbitrating on claims by Holocaust survivors had proved slow.

Mr Volcker said that a detailed status report on the broader investigation into Swiss banks' accounts would be available "soon" - probably by the end of this year. Other sources close to the investigation said that suggestions the total amount in the accounts would come to less than \$500m (\$71.4m), aired in Switzerland earlier this week, were premature.

Mr Volcker made clear that the work of the committee would continue, despite last month's out-of-court settlement in which UBS and Credit Suisse, the two largest Swiss banks, agreed to pay \$1.25bn in a lump sum to Holocaust victims.

He said: "There was general agreement on both sides that it should continue in some amended form, but basically aiming towards some full discovery as was the original mandate. That will continue, although it may require some modest modification of the work programme to take account of what has been decided elsewhere."

It is understood there is pressure for the Volcker process to be ended swiftly from the smaller Swiss cantonal banks which were not party to the settlement but which may have a high proportion of dormant accounts.

The process of arbitration is complicated, with international arbitrators making final decisions on whether the banks should be forced to disclose evidence about particular claims.

Last year, the Swiss Bankers Association published two lists of names which had been found on a total of 5,570 dormant accounts. Since then, about 9,500 claims have been filed, for 2,377 of

the accounts, meaning that about 55 per cent remain unclaimed.

Each account which has been claimed has an average of four claimants, while one has as many as 71 separate claimants. Claims have come from 27 different countries and have been made in 20 different languages.

Another problem is that many accounts were held by people with common names. An account in the name of Bruno Schmidt has attracted more than 20 claims, in six different languages.

Arbitrators have ruled that banks should disclose

information in about 700 cases where the banks were originally unwilling to do so. Banks have made direct disclosure to claimants in a further 3,300 cases.

There are 16 international arbitrators, drawn from six different countries, including Switzerland and Israel.

Mr Volcker admitted that relatively few cases had been considered so far, but likened this to the "proverbial analogy with toothpaste: it takes some time to fill up the tube". He said that awards should now start to emerge swiftly from the arbitration process.

Libya has already promised Italian companies preferential treatment after the signing in July of a bilateral accord by which the two countries ended the rift caused by Italy's colonial rule and agreed to seek an end to Libya's international isolation. Companies elsewhere are also expected to increase pressure for an end to the sanctions.

The UN Security Council last month endorsed a resolution which would suspend UN sanctions on Libya if the government handed over two suspects accused of involvement in the bombing of a PanAm flight over Lockerbie, Scotland in 1988, which left 270 people dead.

The UK and US governments have met a Libyan demand for a trial to be held in a third country. The two suspects, Lamin Khalifa Fhimah and Abdul Baset Ali al-Megrahi, both officials in the Libyan security service, are to be tried in the Netherlands by Scottish judges and under Scottish law. Libya is now requesting negotiations on the conduct of the trial and guarantees on the rights of the suspects.

According to sources close to the Libyan government, a targeted \$4.5bn of deals in the oil and gas sector, to be completed within five years, includes updating three oil refineries, building a new one, developing the Al Farah oilfield and inviting foreign companies for new gas explorations.

Libya is attaching particular importance to rebuilding its civil aviation infrastructure and updating aircraft of

Companies seek end to Libya curbs

By Randa Khalaf in Beirut and Mark Hubbard in Cairo

Corporate pressure to end United Nations sanctions against Libya is expected to mount following Libya's announcement of plans for \$10bn (\$5bn) of oil, gas and transport projects requiring foreign technology and investment.

Libya has already promised Italian companies preferential treatment after the signing in July of a bilateral accord by which the two countries ended the rift caused by Italy's colonial rule and agreed to seek an end to Libya's international isolation. Companies elsewhere are also expected to increase pressure for an end to the sanctions.

The UN Security Council last month endorsed a resolution which would suspend UN sanctions on Libya if the government handed over two suspects accused of involvement in the bombing of a PanAm flight over Lockerbie, Scotland in 1988, which left 270 people dead.

The UK and US governments have met a Libyan demand for a trial to be held in a third country. The two suspects, Lamin Khalifa Fhimah and Abdul Baset Ali al-Megrahi, both officials in the Libyan security service, are to be tried in the Netherlands by Scottish judges and under Scottish law. Libya is now requesting negotiations on the conduct of the trial and guarantees on the rights of the suspects.

According to sources close to the Libyan government, a targeted \$4.5bn of deals in the oil and gas sector, to be completed within five years, includes updating three oil refineries, building a new one, developing the Al Farah oilfield and inviting foreign companies for new gas explorations.

Libya is attaching particular importance to rebuilding its civil aviation infrastructure and updating aircraft of

its national carrier, Libyan Arab Airlines, whose fleet is dominated by Soviet-era Russian models. The airline is aiming to buy up to \$2.5bn of new aircraft, as well as upgrade two maintenance centres, training facilities and existing airports. Libya wants much of this work to be completed in time to resume work upon the lifting of sanctions.

British Aerospace has said it had held preliminary talks with Libya on reconstruction of civil aviation but only after the lifting of UN sanctions, which ban exports of arms, aviation equipment and services to Libya.

Libya is also said to be allocating \$4bn for railway projects extending from its western border with Tunisia to the border with Egypt in the east. Projects include the laying of 3,000km of track and the construction of 96 new stations.

Foreign pressure to end sanctions has been dominated by European reliance on imports of oil barrels per day of Libyan oil, which provides 95 per cent of Libya's export earnings, as well as the prospect of post-sanctions rehabilitation and development contracts. Up to 31 per cent of Italy's oil consumption is accounted for by Libyan supplies of around 490,000 b/d. Germany, the second biggest Libyan oil importer, consumes 258,000 b/d, while Spain and Greece consumption has also been rising.

Eni, the Italian energy group, is advancing plans with the Libyan National Oil Company to build a \$3.8bn gas pipeline linking western Libya and Sicily. Italy negotiated exemption of the project from UN sanctions. Thirteen oil and gas exploration projects are now in place, with British, Spanish, French and Norwegian companies. Italy expects to be importing 800 cubic metres of Libyan gas a year early in the next century.

VW sets up fund to compensate slave labourers

By Graham Bowley in Frankfurt

Volkswagen, the German car company, yesterday set up a DM20m (£7m) fund to compensate slave labourers forced to work in its factories during the second world war.

The decision, agreed by the company's supervisory board yesterday, makes VW the first big German company to set up a fund to pay

individual forced labourers.

There is growing public pressure on German industry and banks from survivors of the Holocaust and from former forced labourers to pay compensation.

About 20,000 prisoners were forced to work in VW's Wolfsburg factories in northern Germany between 1940 and 1945.

They made aircraft engines, V1 rockets, tank

parts and the military version of the Beetle car for the Nazi war effort.

It used forced labourers from concentration camps and other prisoners of war from the Soviet Union, eastern Europe, France, Italy, and the Netherlands. Only a small number were Jewish.

VW was viewed as the company most vulnerable to claims from former forced labourers because of its close

historical links to Germany's National Socialist regime.

The company was founded in 1938 by Hitler as what was then called the Kraft durch Freude, or "Strength through Joy" car factory.

VW's factories were badly damaged during the war. The company's resurrection after 1945 was overseen by Ivan Hirst, a British army major. The UK handed VW back to the Federal Republic

of Germany in 1949 after the British, French and US motor industries refused to take it on.

It has since become Europe's biggest car producer and one of the world's most successful car companies. The German state of Lower Saxony still owns about 20 per cent of VW.

Other big German companies face similar claims for compensation from forced

labourers. US lawyers this month filed law suits against VW and other companies including Siemens, Daimler-Benz and BMW.

The decision by VW marks a swift turnaround after it insisted earlier this year it would not set up a fund. It said it had already donated about DM25m for "humanitarian projects" in countries where former forced labourers lived.

Malaysians revel in the Games

By Sheila McKelvey in Kuala Lumpur

There was no sign of economic crisis last night in Malaysia or even a mention of the new capital controls. Even the abrupt sacking of Anwar Ibrahim, deputy prime minister, just days ago seemed a long way off, as the country opened the 18th Commonwealth Games.

The competition is Malaysia's coming-out party and has been a personal passion of Mahathir Mohamed, the prime minister. Malaysians refused to let the current turmoil dampen their triumph at becoming the first Asian nation to play host to 5,000 athletes and officials from 70 nations and British dependencies and territories.

"It's a way to forget about it," said Mary Chacko. She arrived hours early to walk the festive grounds around the main, 100,000 seat stadium, which was built on top of what was once an oil palm estate. All around, Malaysians proudly photographed one another against the towering backdrop.

The Hildebrandt family from Australia bought tickets a year ago to watch the entire competition. Over the months they read about the country's acute water shortage and possibility of thick smoke from forest fires in neighbouring Indonesia cloaking the capital. "I went and got a ventilator as I was worried I couldn't breathe," said Lynn Hildebrandt.

But the forest fires were

put out long ago, leaving blue skies. And organisers pledged to ensure water to Games facilities, even if tankers have to be driven in - as they are now in many neighbourhoods - to pump it up to roof-top tanks.

Impressing visitors has been Malaysia's goal from the start. Organisers say 500m people worldwide will be able to watch the tournament on television.

"If the Games are a success, the whole world will look up to us," said Mohyiddin Yassin, youth and sports minister.

Dr Mahathir estimates no less than \$5bn (\$3bn) has been spent on the Games, and, in spite of its financial problems, corporate Malaysia has done its part. The

staff of Malaysia Airlines, the national carrier, have produced a 10-track album called *Let The Games Begin*. And Proton, the national carmaker, has built a limited-edition luxury car carrying the event's logo.

"It doesn't look like crisis," said Tony Walk, team manager for track and field from Botswana.

To Malaysians, the Games represent a big step to achieving developed-nation status by 2020 and the global recognition they believe should come with that. In spite of attempts to insulate its economy, Malaysia, still seems intent on being part of the world community.

Tyson of the Track, Weekend FT, Page XVII



Dancers enter the Games stadium for a performance yesterday AP



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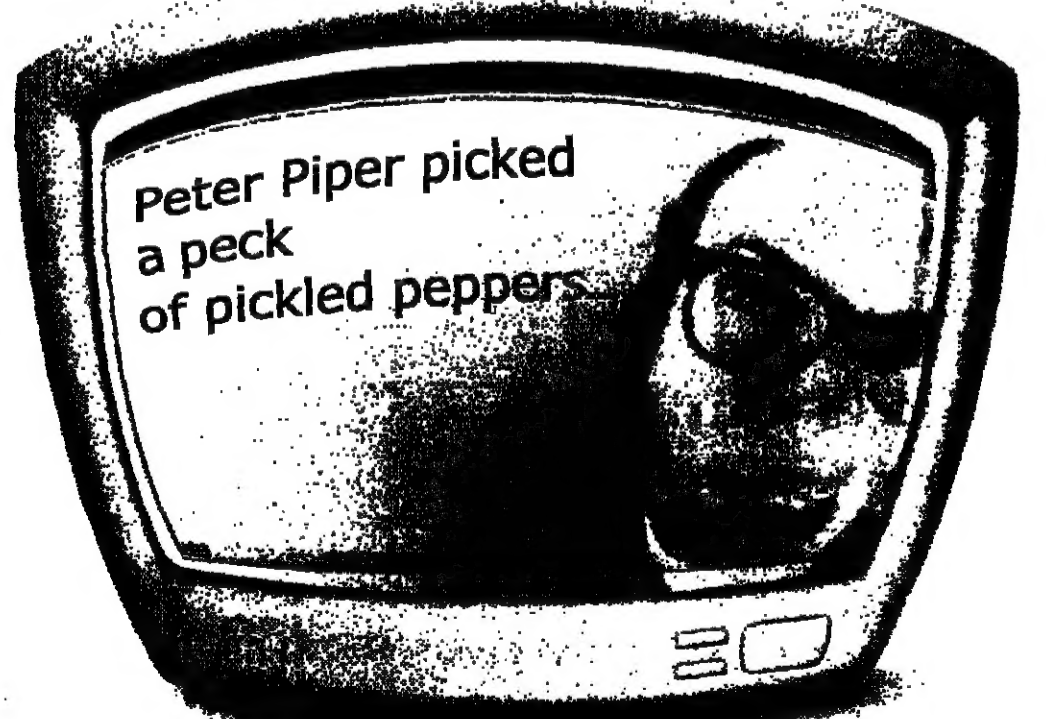
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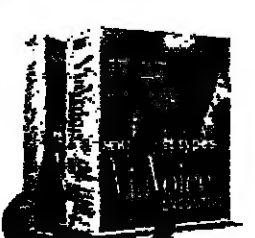
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INTERNATIONAL

SINGLE CURRENCY GREECE AND DENMARK WILL BE FIRST MEMBERS OF NEW EXCHANGE RATE MECHANISM

ECB offers link to non-euro countries

By Wolfgang Münchow
in Frankfurt

The European Central Bank voted last night to set up a means of linking the single European currency with the currencies of those countries not participating in economic and monetary union. But the ECB failed to decide on a monetary policy strategy.

The exchange rate mechanism, which will be the successor of the existing ERM, of which 13 EU countries are members, may be important for those countries that wish to adopt the euro at a later date.

The European Commission

and the ECB argue that, to join the euro, countries will first have to be a member of the ERM or the ERM2, although this had been disputed by the UK and Sweden.

ERM2 is scheduled to become operational on January 1 next year. It will have a normal fluctuation margin of 15 per cent either side of a central rate - the same as the current rules.

The initial participants in the ERM2 will be the Greek drachma and the Danish krone, although the Danes have said they want to adhere to a tighter trading range. The UK and Sweden said they will not be joining.

Under the rules agreed by the ECB governing council, the system will differ from the existing ERM in one key respect: the new mechanism will no longer require central banks to engage in unlimited currency intervention if necessary.

This clause is designed to protect the ECB from speculative attacks on the ERM2.

Wim Duisenberg, president, said of the ECB's failure to decide on a monetary policy strategy: "The discussions are more difficult than many of us had anticipated, not in terms of disagreement but in terms of complexity." The 17 members of the governing board are consid-

ering two alternative proposals: monetary targeting under which the ECB targets a money aggregate, or direct inflation targeting, in which it sets policy in relation to an inflation forecast.

The majority in the ECB's executive favours a mixed strategy, but details of such a compromise are proving difficult to work out.

The ECB also decided yesterday to emulate the Bundesbank's schedule of board meetings from next year. ECB council meeting are to take place on a fortnightly basis from 1999. Mr Duisenberg said he would hold news conferences once every month. For the remainder of

this year, the ECB council will meet four times - on October 13, November 3, December 1 and 22 - to finalise the remaining preparations for the scheduled start of the euro in January.

Mr Duisenberg warned that European governments should stick to the rules of the stability and growth pact, which calls for balanced budgets over the economic cycle. He said he was worried about a trend towards fiscal relaxation in some countries. He refused to name any individual countries, but the fiscal policies of Italy are viewed with particular concern by senior monetary officials.

Mr Duisenberg said that, even if governments did no more than maintain last year's deficits, they would "move farther away from... rather than approach, the requirements of the stability and growth pact".

It voted on a series of other technical issues, such as the choice of eligible securities for the central bank's regular money market operations.

The council also determined the capital subscriptions of the national central banks, which are the shareholders in the ECB. The largest shareholder is Germany with a stake of just over 34.41 per cent.

Kohl looks for lift from Bavaria's 'beacon of reason'

Ralph Atkins on Edmund Stoiber whose poll fortunes tomorrow may help determine the chancellor's own re-election prospects

As an officer of Bavaria's traditional tunic and woolly-sock wearing mountain troops, Edmund Stoiber, state premier, is entitled to some grouse feathers in his hat. Tomorrow, his eyes will be on more ambitious prizes: the defence of his Christian Social Union's overwhelming dominance of Bavaria's parliament, and, just possibly, a defining role in German politics.

Two weeks before Germany's federal election, the vast southern state's election is important. Probably the last chance for a decisive change in political fortunes, it could seal the fate of Chancellor Helmut Kohl, whose alliance of the Christian Democratic Union (CDU) and the CSU is trailing the opposition Social Democratic party (SPD).

But if Mr Stoiber succeeds in his goal of winning more than 50 per cent of the vote, and dramatically turns around Mr Kohl's campaign, his peculiarly-Bavarian brand of rightwing politics could be stamped all over Bonn. At the very least, a strong win in Bavaria would, as Mr Stoiber says, give a "big stimulus in the last 14 days of the federal election and to the people, who the polls show, are a little pessimistic".

It is a battle where Mr Kohl's role has been minimal; his face is largely absent from election posters in the state. Always proudly independent, Mr Stoiber has led a "Bavaria first" campaign reflecting his party's, never modest, self-confidence. The CSU has had a

majority in Bavaria's parliament since 1963: in every election from 1970 it has won more than half the popular vote. "Fifty per cent is nowadays a huge challenge," he says. "Show me anywhere else where that would be possible."

Mr Stoiber's message is based on an economic record that contrasts with an overall German performance hit by the costs of unification and the failure of Bonn coalition politics to agree structural reform. Bavaria, home to BMW, Siemens and Daimler-Benz Aerospace, has Germany's lowest unemployment and debt-per-head ratios. In the first half of 1998, it attracted almost 80 per cent of direct investment flowing into Germany.

Tall, white-haired and bespectacled, Mr Stoiber preaches earnestly the importance of combining tradition and innovation. Adopting a phrase popularised by Roman Herzog, Germany's president, he talks of a symbiosis of "top and bottom". According to aides, Mr Stoiber's social politics, stressing Christian values and the importance of the family, reflect his modest background and the humble start of the modern German republic.

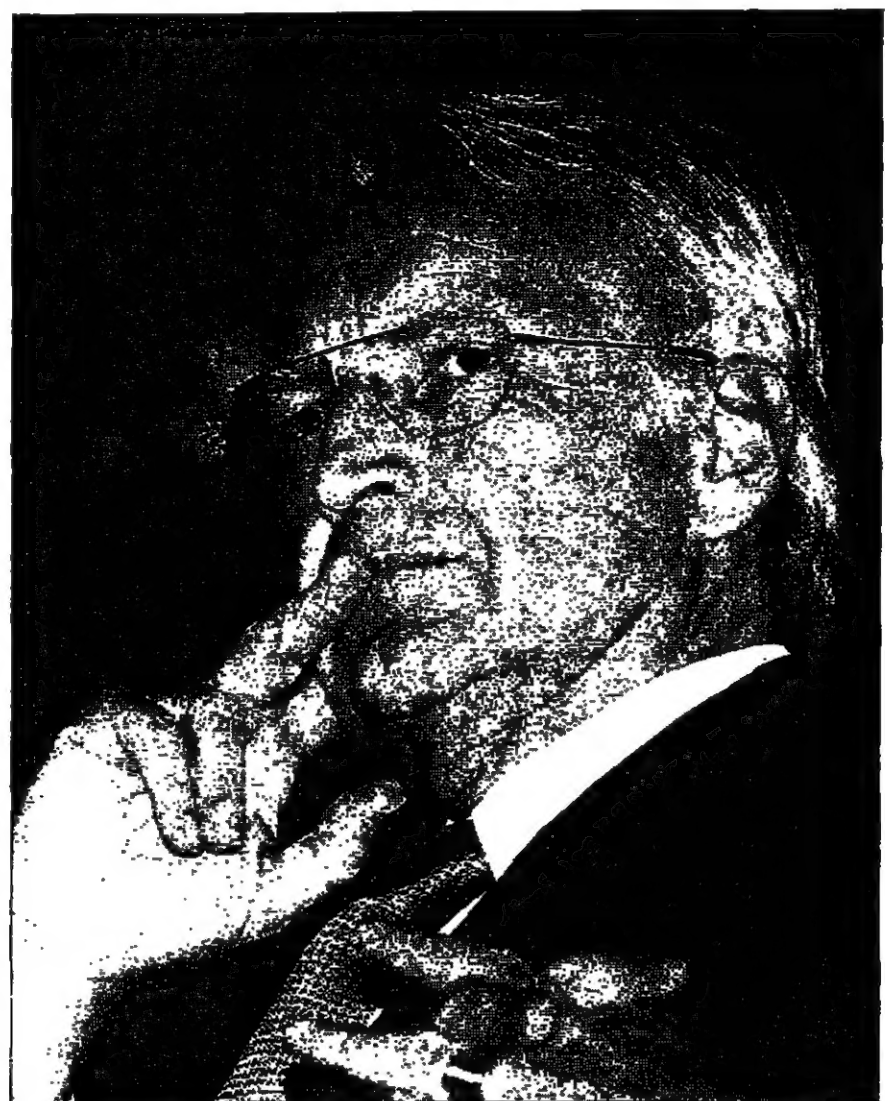
But the more dominant factor is Mr Stoiber's close association with Franz-Josef Strauss, the legendary post-war Bavarian leader who died in 1988. During Mr Strauss's decade as Bavarian premier, Mr Stoiber served as his right-hand man, first as CSU general secretary and then as head of the state

chancellery in Munich.

Mr Strauss - a rare showman in the usually grey world of German politics - presided over the transformation of Bavaria from backward agricultural state into a European high-techology centre. He was also an irritant on Bonn's political stage, only reluctantly allowing Mr Kohl to take over as undisputed conservative leader when the Social Democratic-led coalition of Chancellor Helmut Schmidt collapsed in 1982.

Unlike Mr Strauss, who served periods as federal finance minister and defence minister, Mr Stoiber has eschewed direct involvement in Bonn politics. In 1993 he successfully headed off attempts by Mr Theo Waigel, federal finance minister, to take the Bavarian premiership in exchange for the party chairmanship. That left Mr Waigel with the often difficult job of bridging the divide between Munich and Bonn. Instead Mr Stoiber has exerted influence across the country from a secure power base in a more elegant, and perhaps more effective, manner than Mr Strauss ever managed.

Most notable was Mr Stoiber's success in the past year in insisting Germany had to meet precisely the criteria for membership of Europe's new single currency, which he argued was essential to underpin public confidence. Under pressure from Bavaria, Mr Kohl accepted the 3 per cent target for public sector deficits as a share of gross domestic product had to mean 3.0 per cent. A six-strong team of European specialists in the Munich chancellery reflects Mr Stoiber's expectations of an increased role for regions



Edmund Stoiber: If the performance of his Christian Social Union turns round Kohl's faltering campaign his peculiarly-Bavarian brand of rightwing politics could be stamped all over Bonn

within the European Union. As the elections have approached, Mr Stoiber has also influenced the national debate over crime policy. As the EU's internal frontiers have crumbled, Bavaria has pioneered a policy of "veiled searches", defining areas up to 30km behind borders and along motorways, where police can stop and search at random for illegal immigrants or criminals. It also backs expelling repeat

offenders of foreign nationality - and their parents where appropriate.

The clear rightward lurch on crime seems to have succeeded in heading off the threat to the CSU's vote from the far right. The Social Democrats, meanwhile, look set to increase their vote by a few percentage points from the 30 per cent last time. But still unclear is the impact of environmentalist parties, includ-

ing the Greens, and of Bavaria's grassroots "free voters" movement.

Mr Kohl, campaigning in Bavaria, described Mr Stoiber as "a beacon of reasoned German politics". Even if the Bavarian premier does not succeed tomorrow in saving the chancellor, and has to live under a Social Democratic-led government in Bonn, he hopes to earn a few more feathers in his cap.

Greece and UK under fire from Brussels chief

By Michael Smith in Brussels

Jacques Santer, European Commission president, yesterday joined an increasingly acrimonious row between European Union governments when he criticised Britain and Greece for failing to implement immediately an EU ban on Yugoslav national airline flights.

"Decisions taken by the 15 member states should be applied by the 15," Mr Santer said. "When one or more member states do not play along, it makes sanctions meaningless."

Although he named no countries, his comments were clearly aimed at Britain, which has said it will allow the JAT airline to continue flying scheduled flights to London for a year, and at Greece, which has given JAT six months' notice of a ban.

Officials warned that the Commission could take the UK and Greece to the European Court of Justice if an examination by legal experts determined the countries were flouting the ban, agreed unanimously by EU foreign ministers last week-end in response to Yugoslavia's policies in Kosovo.

Mr Santer's intervention follows public criticism of the UK by Germany and private condemnation by ministers from other countries.

The UK said that by giving notice to Yugoslavia it was complying fully with the EU ban decision and with its international commitments. A 1998 air agreement with Yugoslavia required it to



Santer: "Decisions taken by the 15 should be applied by the 15"

give 12 months' notice of a ban on scheduled flights; new bookings for charter flights would not be accepted.

The UK attacked European airlines which have agreed to co-operate with JAT, possibly by accepting JAT ticket-holders on a revenue-sharing basis. "We believe this undermines the flight ban by indirectly benefiting the Yugoslav government."

Greece said its air agreement with Yugoslavia predated the Treaty of Rome establishing the EU and required it to give six months' notice of a ban on scheduled flights. Charter flights would stop immediately. Greece said it was talking with the Commission about its options.

Other governments, some of which have agreements with Yugoslavia similar to those of the UK and Greece, have implemented bans on scheduled and charter flights immediately.

Indonesia to end food subsidies to clear way for \$1bn from IMF

By Sander Toomes in Jakarta

Indonesia and the International Monetary Fund yesterday agreed to abandon costly and ineffective food subsidies in favour of targeted distribution to the poor and abolition of a government monopoly on rice imports.

The agreement, part of a regular review of an economic reform package first launched in October 1997, opens the way for another \$1bn disbursement of IMF credits to Indonesia before the end of September. The fund said "policy implementation in all areas has remained in line with programme commitments," although its own checklist noted a series of delays in moves to salvage the banking sector and privatised state enterprises.

The most important policy change yesterday was an

admission that large budget expenditure on food subsidies, financed primarily by the IMF and other donors, "proved ineffective in holding domestic prices" as subsidised rice and other foods were "either exported or hoarded by traders".

Rice prices have quadrupled over the past year, sparking localised riots and leading villagers to plunder fields and warehouses. But the government has been wary of lifting subsidies because its first attempt, a reduction of subsidies on fuel and electricity, sparked widespread riots and student protests that brought down former president Suharto.

As food prices reached world levels regardless of the subsidies, however, officials bit the bullet this week, lifting subsidies on wheat, sugar and some other food products and phasing out a soybean subsidy. The gov-

ernment said it would increase the amount of rice imported and supplied by the government logistics agency, Bulog, but at prices closer to market levels to discourage illegal exports.

To encourage additional supplies, Bulog would give up its rice import monopoly and the tax service would suspend value added tax on rice and other staple foods, and import tax on wheat.

This should free up funds to expand a targeted food distribution programme for up to 15m families, but officials conceded they had only handed out food coupons to 2m families to date, enabling them to buy rice at 20 per cent of current rates.

Economists welcomed the lifting of subsidies but warned the food distribution would challenge the government's logistics while cover-

ing only part of the country's poor. Subsidised food sales have been chaotic and sporadic, forcing families to pay the equivalent of a worker's daily wage for 1kg of rice whenever rice trucks failed to arrive.

"It's more effective to subsidise the poor," said Anwar Nasution, a prominent economist. "But the government has so far failed to distribute staple food because it is riddled with corruption."

The attorney general, Andi Mohamad Ghalib, said people convicted of hoarding rice and other goods could be punished with death, a statement likely only to discourage private trading which requires storage.

Some diplomats were concerned about allegations that senior officials had profited from import contracts, distribution licences and exports of rice and other subsidised foods.

Moscow debt worries grow

By Our International and
Financial Staff

The risk that Russia could be forced into widespread default on its huge foreign debt emerged yesterday after it said it had failed to meet its latest interest payments to western countries.

The Russian finance ministry said Russia had defaulted on debt interest payments to several big western creditor nations since its economic crisis erupted. The payments, due on August 20, were on its \$400m restructured Soviet-era debt - so-called Paris club debt. The admission underlines the growing severity of Russia's financial troubles and marks a deep shift in Moscow's stance towards foreign debt.

Russia had pledged it would keep up payments on its debt to foreign governments and commercial banks despite Russian banks' domestic debt moratorium. The payment delay now shifts attention to Russia's Soviet-era debt owed to western commercial banks, with huge interest payments due on December 2.

Russia has \$650m debt to commercial bank creditors that it inherited from the Soviet Union - so-called London club debt. This commercial bank debt, which was securitised, or converted into bonds, last December, includes some of the world's most heavily traded emerging market debt instruments. A Russian default could have a serious knock-on effect for other emerging markets.

Germany - Russia's biggest official creditor with around \$20bn in Paris club debt - said yesterday it had received only partial payment of a DM800m (\$482m) tranche due on August 20 but it insisted this would not affect lending towards Russia. It was convinced Russia would settle fully by the year-end, it said.

The UK, which holds \$630m in Paris club debt, confirmed yesterday it had received only partial payment of interest due at the end of August. About \$7m of the \$8m due was paid, the Treasury said.

Francis Mayer, Paris club chairman, said the club of creditor governments would discuss the delays with Russian authorities this month. Russia's biggest Paris club creditor nations include Germany, Austria, France, Italy, the US and the UK.

The Russian finance ministry insisted it was honouring new debts of the Russian Federation taken on after 1992 even though it was struggling to meet Soviet-era obligations. Under the Soviet debt restructuring agreement signed in February 1997, Russia was supposed to pay DM1.62bn in interest payments to the German government this year. Russia had transferred DM816.5m before August 20, when the remaining sum was due, the federal finance ministry said in Bonn.

However, Russia's payment of DM48.5m on August 20 fell far short of the agreed tranche of DM800m, the first time it has delayed interest payments in Paris club debt to Germany.

Reporting by Graham Bowley in Frankfurt, Tobias Buck in Bonn, Edward Luce in London and Arkady Ostrovsky in Moscow

It is not clear where the central bank's funds went. But the way in which the central bank channelled billions of dollars from the reserves to the banks prior to the declaration of a 90-day moratorium on payments last month has been strongly criticised. Accusations of lack of proper supervision over the banks were among the factors leading to the resignation of Sergei Dubinin as chairman of the central bank this week.

President Boris Yeltsin yesterday formally proposed Viktor Geraschenko, Mr Dubinin's controversial predecessor, to resume leadership of the central bank. Meanwhile, prime minister candidate Yevgeny Primakov strongly recommended former central planning chief Yuri Maslyukov to head government economic policy in his speech to the Duma yesterday.

The prospect of monetary and economic policy falling back into their hands of men closely associated with running the Soviet command economy sent waves of nervousness around private sector business yesterday.

"This is the most depressing prospect since the crisis began. Such a duo would be a big setback for those who believe in an open market economy. It would put a man who believes in printing rubles in charge of the central bank and a central planner in charge of the economy," said the chief financial officer of one company after listening to the Duma debate yesterday.

SGS-agro was one of the first of the big Russian banks to default on foreign payments early last month. It was then taken into special administration by the central bank after a \$100m bail-out failed.

The decision by Dutch-owned Independent Media to serve a temporary injunction against the Dutch branch of SGS-agro bank has aroused interest from other international companies which also use the bank to pay salaries to their Russian staff.

Derk Sauer, the chief executive of Independent Media, said: "We are warning our people not to be too optimistic about the outcome. SGS argue that their Dutch branch is a separate entity. But we wanted to show our staff that we are doing something and, at least under Dutch law, SGS will not be able to move the equivalent of the \$200,000 in blocked savings out of the country. It will have to stay in Holland until the case is resolved."

Several other international companies including US soft drinks and snacks company PepsiCo and Orlifame, a Swedish cosmetics company, with blocked accounts are believed to be studying similar moves.

SGS-agro was one of the first of the big Russian banks to default on foreign payments early last month. It was then taken into special administration by the central bank after a \$100m bail-out failed.

Scraping up a living as the dark waters rise

By David Chazan in Dhaka

Mansour is one of the few people in Dhaka to have benefited from the filthy black water that is waist deep in many parts of the Bangladesh capital. He has been working around the clock in his carpentry shop, making the small wooden boats that have become the most practical means of transport in a city two-thirds flooded.

But for most people, the stagnant water, mixed with sewage, has brought hardship and disease. At the ICDD hospital in Dhaka, doctors said they had admitted

more than 150 people yesterday with diarrhoea. Aid workers say they are fighting a losing battle to stop the spread of disease.

"It used to be mainly children who were affected, because they play and bathe in the water, but now the adults are falling sick too," said Gashwar Nayeem Wahra of Oxfam.

In the slums, residents have built bamboo platforms above their shacks. Mahmud Siddikur Rahman said he and his family had been sleeping on their roof for five weeks. His savings were running out because the office

where he worked as a storekeeper was flooded, cutting off his income, while he was buying food at double the normal prices. "If we leave, all our possessions will be stolen," he said.

For those who are already destitute, the flood shelters set up around the city are the only refuge. But conditions are crowded, with dozens of families sharing the same toilet in many of them. In the midst of the worst flood here in living memory, people are struggling to maintain their livelihoods.

Mahmoud, aged nine, said his father fell into the water

while sleeping and drowned.

The boy has rented a boat and is trying to make a living by peddling passengers through the submerged streets. Relief supplies are coming in, but aid workers say it is impossible to reach many stranded communities.

The boats we normally use to take food and medicines upriver are refusing to go because the currents are too strong," said Julian Francis of Oxfam. The United Nations has warned that millions of Bangladeshis could die of disease and starvation in the coming months unless a huge relief

operation is launched.

The floods have submerged much of the country's farm land, and the next rice crop looks certain to fail. To the east of Dhaka, young volunteers and soldiers have been trying to strengthen a waterlogged embankment protecting much of the remaining dry land in the city. They have been keeping vigil day and night, piling sandbags on top of the embankment when the water level rises.

"We also have to guard the sandbags from people who come and try to steal them to protect their own homes."

said Abul Hussain, a volunteer. After four days, the embankment is still holding.

The government says relief is reaching all those in need, but aid workers say there is too much chaos to be certain, and many remain hungry.

Reports show that water levels in the main rivers are starting to fall, but it will be days before the water begins to recede in many of the flooded areas. When it does, aid workers fear further tragedy as the strong currents created are likely to carry many more to their deaths.

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NORTHERN IRELAND FORMER IRA PARAMILITARIES MET BY FLAG-WAVING SUPPORTERS AS HUMAN RIGHTS GROUP EXPRESSES DISGUST

Anger as prisoners walk to freedom

By John Murray Brown

The first of the terrorist prisoners to be released under Northern Ireland's Good Friday agreement walked free from the Maze outside Belfast yesterday.

Three members of the Ulster Defence Association and three IRA inmates left the infamous H-blocks - the loyalists scuttling to awaiting cars without comment and the republicans greeted by flag-waving supporters.

Another man who had severed his links with terrorism was released from Magilligan jail in County Londonderry.

Gerry Kelly, the Old Bailey bomber and Sinn Féin assembly member - a former Maze escapee - led the welcoming party along with Brendan McFarlane, another IRA member.

The "triumphant" reception given to the republican prisoners was condemned by Families Against Incontinence and Terror, a Belfast human rights group.

But Oliver Brannigan, Northern Ireland's deputy chief probation officer, said prisoner releases had been a constant feature of the Troubles.



Salute to freedom: Irish republican prisoner Gerry Magee facing the media as he left the Maze prison yesterday

Fall says it is dealing daily with calls from people intimidated and beaten up by members of the paramilitary groups benefiting from the prisoner release.

"By not insisting on a complete and unequivocal end to violence the government has dangerously compromised the Good Friday Agreement," said Glyn Roberts of the group.

There are wider security implications. Although there are few cases of recidivism - largely because the convicted men are no longer useful to the terror organisations - some have resorted to violence. Irish police claim the leadership of the Real IRA, which murdered 28 people in Omagh, includes two men who were released by Dublin following the first IRA ceasefire in 1994.

The prisoner issue threatened to destabilise David Trimble's efforts to win backing for the deal and divided his Ulster Unionist party.

But it is widely acknowledged the prisoners were vital in securing the ceasefire and their release was always expected to form part of any deal.

bles. "This is not new, it's only the context that's new - that people are being asked to accept prisoner releases as part of the peace, and that is difficult to live with."

The 400 or so paramilitary

inmates who will benefit from accelerated remission over the next two years include many of the most notorious terrorists, such as Pat Magee, who blew up Brighton's Grand Hotel during the 1984 Conservative

conference killing five people, and Michael Stone, the loyalist who shot dead two mourners at a republican funeral in 1988.

About 250 terrorists, including 50 murderers, are due for release in the next

year and a further 150 by July 2000. Only prisoners belonging to groups that are on ceasefire are included. All releases are under licence with the provision they can be re-arrested.

Platinum 'could be extracted from road dust'

By Olive Cookson, Science Editor, in Cardiff

Platinum pollution from catalytic converters in cars has already built up to astonishingly high levels in UK cities, the British Association meeting heard yesterday.

It will soon become commercial to extract platinum and related precious metals - palladium and rhodium - from road dust, according to Hazel Pritchard, a platinum exploration geologist at Cardiff University in south Wales.

She has just surveyed precious metal pollution in Cardiff, in collaboration with Karlsruhe University in Germany.

The highest level of 128 parts per billion, found on an urban roundabout, is more than 100 times above the natural background.

When she extracted the heavy portion of the road dust through a simple liquid process, like panning for gold, the platinum level rose to 1,800ppb. That is close to the concentration of 4,000ppb at which platinum is mined commercially from solid rock in South Africa and Siberia.

Its market price, about \$360 per ounce, is higher than gold. South African platinum mines have to crush 10 tonnes of rock to extract an ounce of platinum - enough for one catalytic converter in a typical family car.

Catalytic converters use platinum and other precious metals to convert poisonous exhaust gases, such as oxides of nitrogen, into harmless nitrogen, water and carbon dioxide. But in the process they emit metal particles.

"The use of catalytic converters in cars is very recent and so levels of platinum on our roads are likely to increase rapidly," Dr Pritchard said.

She found "especially high concentrations in the posher parts of town where the expensive cars with platinum-containing catalytic converters live".

Dr Pritchard and colleagues have found high platinum levels (180ppb) in the mud flats of Cardiff Bay, where some of the metal ends up. Similar studies in Germany have shown average platinum levels of 20ppb in roadside soil.

The Association for Emissions Control by Catalyst - the Brussels-based trade body for European catalyst manufacturers - said yesterday that converters lost "only a tiny proportion" of their platinum during a car's lifetime.

There was no health risk, the association said, "since platinum is a very inert metal, it is very unlikely to reach and affect people, animals or plants".

Dr Pritchard was not so confident. She made clear that she did not want to cause a health scare but, she said, "platinum may not be as inert as traditionally believed".

Viagra may hit health service potency

By David Pilling, Pharmaceuticals Correspondent

That the drug Viagra has the capacity to add life to flagging sex lives is not in doubt. Less clear is whether the blue diamond-shaped pill - and the other "lifestyle" drugs that are bound to follow it - could have a rather less stimulating effect on Britain's National Health Service.

"We've not seen the likes of Viagra before," says the government's Department of Health, which is still puzzling over how best to ration the male impotency pill due to be approved for

European sale next Tuesday. The concern encapsulated by Viagra is that, if the ageing UK population begins to demand drugs not only to cure its illnesses but also to make it feel younger or happier, the NHS would quickly find its coffers empty.

As a result, the government will seek to ration Viagra by restricting prescriptions to those patients with a history of erectile dysfunction, the condition for which the drug is licensed. Anyone suspected of wanting to try the pill for "recreational" purposes will be given short shrift.

But who will be responsible for making those judgments?

The government has not decided whether GPs can be trusted to filter out bogus requests for treatment. In July, Alan Milburn, the health minister, hinted that hospital clinicians - and not GPs - would carry out the screening process. That would force all but the truly afflicted to go to private clinics or to surf the internet in pursuit of the drug.

Purchase through such outlets could cost anything up to \$20 (\$33) a tablet, compared with the \$4.84 that Pfizer, the US drugs company that makes Viagra, proposes to charge the NHS.

Pfizer says this sort of frivolous interest would prove short-lived, since Viagra has little effect on men who are not impotent. People looking for a thrill or added potency will be disappointed and will not repeat expensive private prescriptions, it says. Anecdotal evidence suggests otherwise.

As far as the NHS bill is concerned, Pfizer expects this to reach about \$80m in five years. If Pfizer is right, Viagra will not break the bank. But Viagra may just be a hint of the future. Drug companies are busy developing products for an ageing and increasingly affluent

population less prepared to tolerate discomfort than previous generations. When such treatment becomes available in the UK, it will mean deciding whether to spend several thousand pounds a year to improve the quality of life of a single patient. The pharmaceutical industry argues that drugs to alleviate previously untreatable conditions will actually save money by reducing the need for surgery and for hospital treatment.

But many healthcare planners believe that the next generation of drugs will tend to have precisely the opposite effect.

Stock Exchange set to change its listing rules

By George Graham, Banking Editor

The London Stock Exchange plans to change its listing rules, allowing companies for the first time to file "shelf registrations".

Shelf registrations, which are common practice in the US, allow a company to file general listing particulars once a year and then circulate a short update when they want to issue further securities, rather than having to produce a complete listing document for each issue.

The exchange said the system would speed up the time needed to issue new securities and reduce the amount of paperwork investors have to digest.

The proposals, part of a consultation document to be issued on Monday, were welcomed by investment bankers and lawyers. "It's good news that the exchange are

going to be more flexible," said David Childs, head of corporate law at Clifford Chance, the City law firm.

Mr Childs said shelf registration would mean companies could issue securities quicker, taking advantage of short-term market opportunities, because they would not have to go through the process of preparing new listing particulars.

In addition, it would save costs for companies that issue securities more than once a year.

The exchange said shelf documents would be made publicly available through the internet on its listing authority web site.

The shelf registration proposals form part of a general review of the exchange's listing rules. The exchange is asking for comments by October 23, and the rule changes would be likely to take effect early next year.

Changes are also proposed

to clarify the "class test" rules, which determine whether an acquisition or disposal is big enough to require a shareholder circular or simply an announcement.

One of the main aims of the review is to move the emphasis of the listing rules, known as "the yellow book", away from prescriptive rules and towards disclosure.

For example, the exchange is proposing to drop the requirement that the board and senior management of a company seeking a new listing should have been involved in the business for at least three years.

The exchange said this would be done "without compromising investor protection", but some experts cautioned that the exchange had for some time appeared to be moving to ensure that it did not face legal responsibility for allowing a listing.

Exporters urged to reduce costs

By Peter Marsh

Exporters should use the strength of sterling as a platform from which to boost productivity and cut costs, Peter Mandelson, the new trade and industry secretary said yesterday.

Mr Mandelson said companies should improve their management practices to improve competitiveness to the level of the "best in the world". The comments by Mr Mandelson may annoy exporters who have suffered as the pound has risen over the past two years.

His lack of overt sympathy with companies hit by sterling's rise contrasts with comments by Margaret Beckett, his predecessor as trade and industry secretary.

When confronted with the problems of exporters, Mrs Beckett during her time in the job tended to proffer sympathy for companies' plight, although stopping

short of any specific measures to help. Over the weekend Mr Mandelson is leading a UK trade and investment mission to South Africa in his first overseas visit since taking over his job in the recent government reshuffle.

Mr Mandelson said at a press briefing that he had not heard any negative comments from UK companies about selling in South Africa, where recently UK exports have climbed slightly from about £1.7bn last year.

The new trade and industry secretary declined to answer a question about whether he thought the Bank of England should cut interest rates from 7.5 per cent in an effort to stimulate the economy and help exporters. The Bank's monetary policy committee decided this week to leave rates unchanged for the time being.

Labour party expels MP to boost Scottish parliament election chances

Tied with nationalists in the opinion polls, officials had to act quickly on allegations of wrongdoing, says Andrew Parker

The Labour party has expelled from its ranks Tommy Graham, MP for the West Renfrewshire district of Scotland. Mr Graham's lawyer said the party's national constitutional committee had found five charges proved against the MP, which included engaging in conduct detrimental to the party.

The move was welcomed by many Scottish Labour MPs, who had been pressing for Mr Graham's expulsion before the first elections to the Scottish parliament next May.

Mr Graham was suspended from the parliamentary Labour party last year after the suicide of Gordon McMaster, Labour MP for a neighbouring district. Although cleared of playing any part in his death, Mr Graham was charged in June with bringing Labour into disrepute.

The party leadership had much to lose if it was not seen to come down hard on Mr Graham. A year after securing a mandate to establish a Scottish parliament, the party is neck and neck with

the Scottish National party in the battle for control of the new administration.

The first elections to the parliament will be the most important political event of 1999, and allegations of wrongdoing against members of the Scottish Labour party have caused damage.

Mr Graham was the subject of an exhaustive, 13-month investigation by Labour officials, and he now plans to challenge the expulsion decision in the Scottish courts. In February, Pat Lally, Glasgow's Labour mayor, persuaded the court of session to overturn disciplinary action against him (Mr Lally).

However, the problems for the Scottish Labour party run deeper than allegations of wrongdoing. It is clear that Labour had little or no political strategy in Scotland after last September's referendum, which produced a resounding vote in favour of a Scottish parliament with powers to vary the basic rate of income tax.

Donald Dewar, chief minister for Scotland in the UK government, devoted much



Tommy Graham at the Glasgow tribunal this week

Rival election manifestos unveiled

The battle for control of the reformed Scottish parliament stepped up a gear yesterday as the ruling Labour party unveiled its draft manifesto for May's devolution elections, Andrew Parker writes.

Donald Dewar, the chief Scottish minister, published a document entitled A Lifetime Of Opportunity, and promised "Scottish solutions for Scottish problems" decisions taken by Scots in Scotland for Scotland.

That pledge was intended to rebuff the so far highly effective jibe by the Scottish National party that the Scottish Labour party is beholden to the UK party in London.

to stringent public spending limits set by the Conservatives.

By July, the SNP was a record 14 points ahead of Labour in voting intentions for the Scottish parliament, according to one opinion poll. Alarms bells began ringing in Downing Street, the prime minister's office, prompting Tony Blair to issue the apocalyptic warning that the Scottish

NEWS DIGEST

MINIMUM WAGE

Employers may face big fines for non-compliance

Strict legal enforcement of the national minimum wage with big fines on employers who do not comply are contained in the government's draft regulations published yesterday. The newly formed Inland Revenue and Contributions Agency is to be given overall responsibility for enforcing the minimum wage of £3.60 (\$56) an hour for employees aged 22 and over from April 1 next year. A £3 rate will be enforced for workers aged 18 to 21.

Companies who refuse to pay the minimum wage will face fines of £7.20 a day for every employee involved, twice the minimum hourly rate. If employers continue to defy the regulations, they face prosecution and fines of up to £5,000 for each offence. Inspectors will carry out spot checks on companies to investigate any complaints from employees who claim they are not receiving their legal entitlement. Robert Taylor

CONSERVATIVE PARTY

Leader urges anti-euro unity

William Hague, leader of the opposition Conservative party, yesterday published a statement on Europe which commits the party to pursuing the objective of global tariff-free trade by 2020. In a speech to Conservative candidates standing in next year's elections to the European parliament, Mr Hague urged unity under his proposal that the party oppose British membership of a European single currency at the next general election.

"No one can afford to run an individual campaign. No one can be allowed the luxury of saying whatever they like, regardless of the effects on the rest of the party, if they do they will damage the prospects of everyone," Mr Hague told the candidates. Andrew Parker

LONDON DOCKLANDS

Development body 'beneficial'

London Docklands Development Corporation generated substantial benefits for local residents "in spite of vociferous comments to the contrary", a final evaluation of its work has concluded. LDDC, along with the other English urban development corporations, was wound up this year. The evaluation, commissioned by the environment department from Cambridge Policy Consultants, finds that the corporation successfully tackled "widespread multiple market failure" that existed in the docks area of London when it began work in the early 1980s. Alan Pike

COMPANY REPORTS

Call for broad-based review

The financial professions, regulators, and stakeholders, should join together in a broad-based review of the content and purpose of annual company reports, according to Chris Swinson, president of the powerful Institute of Chartered Accountants of England and Wales.

Mr Swinson's offer to those outside the accountancy profession to help meet the clamour for new types of information about companies - embracing environmental and social data - will be seen as a significant step in the development of annual reports. Groups such as actuaries, management consultants, investment managers, and stakeholder groups would be involved. Jim Kelly

TRADE UNIONS

Finance sector merger planned

Three trade unions in the financial sector - Bifu, Unifi and the NatWest Staff Association - are planning a merger that will create Europe's biggest finance union, with more than 200,000 members. The merger would end the long-standing rivalry and duplication among the 116,000-strong Bifu, Unifi, most of whose 46,000 members work for Barclays bank, and the NWSA, with 35,000 members. The membership of the NWSA was already about to be boosted by 5,000 members from the Union of Royal Sun Alliance Staff. Andrew Bolger

BIRMINGHAM AIRPORT

Warning on charges

Birmingham Airport, the UK's fourth largest, yesterday warned that charges might have to be raised to cover the loss of duty free sales, which accounted for half last year's profits. Brian Summers, managing director, said price pressure from low-cost carriers was also hitting airports. They are also struggling with growing European Union regulation and the strong pound. Juliette Jowitt

COMMENT & ANALYSIS

FINANCIAL TIMES

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While America slumbers...

No one in America will be able to talk of anything else this weekend. But elsewhere in the world attention has been turned to dangers far more extensive than those now threatening President Bill Clinton.

In Russia, Latin America, Japan and the other south-east Asian countries, even in industrial Europe, the spectre of a catastrophic financial collapse, has fallen across markets, bankers and governments.

It is, as yet, a danger only. But it is one that may require imaginative and concerted policy to avert. This is no time for the world's richest and most dynamic economy to be without an effective leader. Yet the due process of US law seems inexorable.

Mr Clinton may hold to the contrite defiance of his television address yesterday, or he may be eventually crushed by the weight (and scandalous detail) of

the allegations about his affair with Monica Lewinsky. Whatever happens over the next days or weeks, he will confront a deepening economic crisis with a distracted mind.

Perhaps the most urgent problem is less economic than political: how the US should deal with a new government in Moscow headed by Yevgeny Primakov, an old KGB war-horse hatched to a team of two other Communist-era survivors.

The old firm may perhaps find a strong-handed way to prevent financial collapse from creating more economic chaos and perhaps even civil strife. But the west - and particularly the US - may need great statesmanship to prevent Russia from retreating into a dangerous xenophobia. It may be economically

insignificant in terms of world trade. Even its bad debts can be accommodated. But it is still a nuclear power.

Mr Clinton's poor showing on his recent visit to Russia, admittedly in very difficult circumstances, needs now to be repaired. If the president really wants, as he said, to expiate his sullen past and reclaim his position as an effective leader, that is where he should start.

But it may be too late. It may no longer be possible, either, for him to exercise the calming effect on the markets that a strong president might achieve. This is not to suggest that the fall of nearly 20 per cent in the Dow Jones Industrial Average from its July peak can be attributed to the plight of the presidency. Market anxieties are

focused on global financial difficulties. Nevertheless, in current circumstances, political instability in the US is widely thought to have had a depressing effect on equities. This may now be in danger of feeding upon itself, as markets start to consider the implications for world growth.

This week, for example, Goldman Sachs, the investment bank, said it had become much gloomier about the outlook for the world economy next year. Its main forecast for growth in countries of the Organisation for Economic Co-operation and Development is now 1.9 per cent compared with the OECD's own forecast in June of 2.5 per cent. Significantly, Goldman Sachs also warned that if the renewed shocks in Asia and Latin

America and the 15 per cent fall in world equity prices were to create further contagion, growth in the OECD could fall to only 1 per cent. This would imply a very sharp deceleration of the US economy, and perhaps a return to rising unemployment in Europe.

This gloomier outlook is predicated on a further collapse of equities and disorderly devaluations by Hong Kong, Brazil, and perhaps China. To this might be added the possibility of currency collapses in other Latin American countries such as Venezuela, where falling commodity prices affect more than 80 per cent of exports and have had dire consequences for the current account of their balance of payments.

Such anxieties are clearly affecting central banks. A week ago Alan Greenspan, chairman of the US Federal Reserve, warned of the possible effect of financial turmoil on the US economy.

His statement, seen by many as a hint that he stood ready to lower interest rates, was echoed on Thursday by the Bank of England. Japanese officials accompanied a 0.25 percentage point cut in interest rates with strong hints that they were considering a large monetary expansion, probably by official purchases of bonds.

Whether such a risky measure can succeed in reviving the Japanese economy will depend partly on how bold the authorities dare to be and also on the extent to which they can

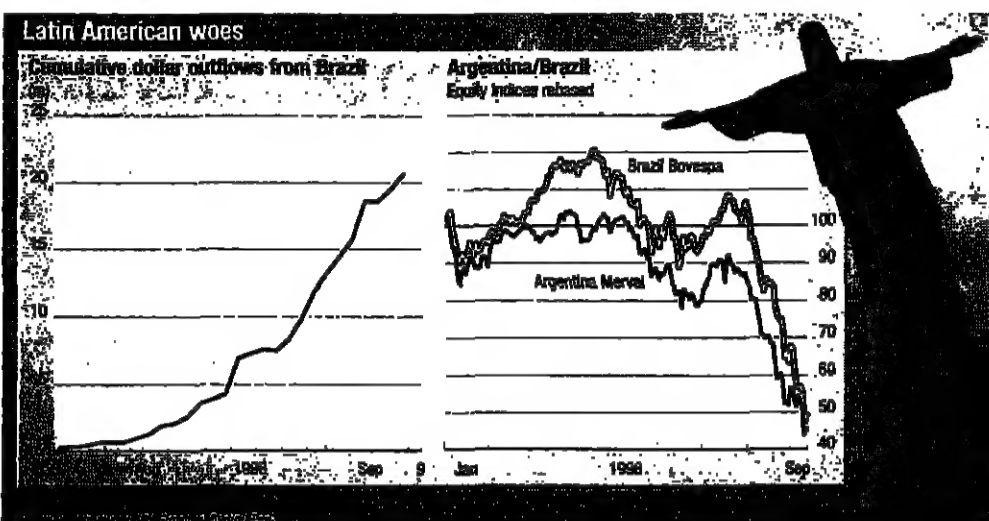
reach an accord with other world leaders, particularly in the US. For monetisation of Japanese debt could well push the Yen sharply down, unless the Fed were to act in concert.

The recent weakness of the dollar, down 5 per cent from its August peak, may give a window of opportunity. But in the medium term, kick-starting Japanese growth is likely to need trans-Pacific agreement, endorsed by a strong president. Similar leadership could also soon be needed to head off protectionist pressures, provoked by slower US growth and a weaker Yen.

At the next meeting of Group of Seven industrial countries in October, therefore, ministers are likely to confront questions of grave seriousness, requiring action. Might they then be told: "Sorry, you cannot speak to the president. He is with his lawyers?" As things now stand, it is all too possible.

Continent in crisis

Latin America may need a bail-out. It could even get one.
Stephen Fidler, Jonathan Wheatley and Ken Warn report



Latin America is on the brink. The Asian crisis, having swept through Russia, is now engulfing the continent. Its biggest economy, Brazil, is fighting to avoid a currency collapse or a debt moratorium. If it is forced into either, the next biggest economies, Argentina and Mexico, could well follow suit.

This will directly harm US economic wellbeing because Latin America is the most important emerging market for US exporters, because US bank exposure to the region is higher than it is to Asia and Russia, and because Mexico is part of the North Atlantic Free Trade Area.

More than that, if Latin America follows Asia into a recessionary spiral, the economic reforms that opened it up to the world market after a violent and inflationary decade will be at risk and so could the "Washington consensus", the idea that economic modernisation is best performed by liberalising goods and capital markets. No wonder that economic policymakers in the US, Latin America and the International Monetary Fund were in frantic consultation yesterday.

The same message has yet to hit home to the US Congress, which is obsessed with President Bill Clinton's moral character. A Congressional panel on Thursday rejected a request for an \$18bn (£10.9bn) capital increase to the global financial system's main fire fighter, the IMF. The proposal is not dead yet, but Republican congressmen still appear more concerned about "moral hazard" - the idea that helping the fire brigade may encourage people to smoke in bed - than about what some US policymakers think is the worst financial crisis since the Great Depression.

The country most immediately threatened is Brazil, where a flight of capital has been draining the country's hard currency reserves at an alarming rate. Dollar outflows reached almost

\$11bn in the first 10 days of September, nearly as much as in the whole of August. Brazilian as well as foreign investors have been dumping Brazil risk at whatever cost. The stock market fell 16 per cent in one day (Thursday) before recovering yesterday. The country still has, by most guesses, more than \$50bn in the reserves, but given the level of its short-term debt repayments this is far from excessive.

"Brazil," says one official at a Washington International financial institution, "is the China of Latin America." If either become unstable, so will the region around them. That is worrying because in Brazil economists can point to well recognised policy flaws, in particular a fiscal deficit that this year could reach 7 or 8 per cent of gross domestic product at a time of world financial crisis and domestic political uncertainty: a general election is due on October 4.

Last October, as the Asian crisis first began to spread, Brazil doubled interest rates and announced spending cuts of about \$22bn. But most failed to materialise, spending went on rising and this week, with bond and stock prices plummeting, the government was forced to double overnight interest rates to about 40 per cent a year. And there's the rub. The higher rate adds about \$80bn a year to the cost of servicing government debt - and it is not clear where the government can find the money.

By law, public workers cannot be sacked during an election period. "Their only option now is to sharply reduce the public sector payroll and immediately tackle social security spending," says Arturo Porzecanski, chief economist at ING Barings in New York. It is hard to see how this can be done.

In these circumstances, the electoral outcome could be vital.

Paradoxically the crisis has helped President Fernando Henrique Cardoso's standing: he now appears set for a first-round victory. That might help him get the political approval he needs for spending cuts.

The question is whether the country can last that long. "The time has come to start talking about ugly choices," says Mr Porzecanski. "If what they're trying doesn't work, then we come down to the unthinkable: currency controls, devaluation, or a debt moratorium."

Argentina, at least, is in a better position. Everyone from President Carlos Menem downwards has sought to emphasise its strong economic fundamentals. Its budget deficit is 1 per cent of GDP. Bank deposits have remained stable this week at around \$76bn. It has seen no pressures on Central Bank reserves.

All the same, in its stampede

out of emerging markets, foreign investors fear that the centre-piece of Argentine economic stability - a currency board system that links the peso at par to the US dollar - would be vulnerable to a Brazilian devaluation. This system, which in effect hands over the setting of interest rates to the markets, is already pushing rates higher. Argentina is seeing the early stages of a credit crunch. "I have no worries whatsoever about convertibility [the currency board] being under threat," said a senior central bank official yesterday. "But I am worried that if this turmoil persists for the next three to six months, then we will have a recession."

Such an outcome might well be seen as punishment for policies that markets are supposed to approve of. If Argentina goes the way of Russia, then what, many will ask, is the advantage of freeing up markets?

Back in Washington, the view is growing that protection against abrupt changes in market behaviour will be needed. One may be discussed as early as next Monday, at the meeting of senior officials of the Group of Seven leading industrial nations.

One possibility, in the words of one of their officials, is a plan "to create instruments for emergency financing that do not presently exist". These would allow for the instantaneous disbursement of funds to beat back speculative attacks. The funds would be short-term and relatively expensive, but would allow governments to avoid policy responses - such as the Russian debt moratorium - that have spooked investors in the past.

The plan, which is hoped will be unveiled at the IMF-World Bank meeting in October, raises many questions. One is whether it will be enough, particularly if the IMF is not strengthened; more immediately, the question is whether it will be ready in time to help if Latin America does indeed fall over the brink.

Back to the USSR

Arkady Ostrovsky and John Thornhill fear for what might happen to the Russian economy

Remember Gosplan, Gosbank and the KGB? The ghosts of those mighty institutions which once ruled the economy and the entire security apparatus of the former Soviet Union have come back to haunt the corridors of power.

Yesterday the Russian Duma welcomed their return almost with relief, as members of parliament enthusiastically endorsed Yevgeny Primakov, the 68-year-old former Soviet Politburo member, long linked to the KGB, as prime minister.

The very first members of his new regime to be named were Yuri Maslyukov, former chairman of Gosplan, the ran the Soviet economy, and Victor Geraschenko, erstwhile chairman of Gosbank, the old Soviet central bank, dubbed by one western economist, "the world's worst central banker".

The prospect of having a government at all was obviously a factor in the enthusiasm. But the presence of such a powerful trio from the Soviet era immediately raised the question of how far they will attempt to go back to the rules of the command economy, printing money to finance the budget.

Mr Maslyukov, still a member of the Communist party, will be the new government's economic supremo. Mr Geraschenko, who was Russia's central bank governor during the hyper-inflation of the early 1990s, will be in charge of money supply.

Both men are strongly opposed to the tight-money policies of recent years. Both are advocates of a greater government role in

the economy.

"They seem certain to print money and re-impose more state controls in the economy," said one western economist. "That will only lead to high inflation, a bigger budget deficit, a breakdown of relations between Moscow and the regions, and a default on external debts."

Such fears were fast confirmed by the statements made by Mr Primakov and Mr Geraschenko. The latter declared that the country had no choice but to print more money. Mr Primakov said: "The state must interfere in and regulate many processes in the economy."

Such policies will please some of Russia's tycoons. Vagit Alekperov, head of Lukoil, Russia's biggest oil company said yesterday that the real economy was "suffocating for lack of capital. Emission of money should not be seen as pure evil and a source of all disasters," he said.

Grigory Yavlinsky, leader of the liberal Yabloko party, who backed Mr Primakov's nomination, has rejected any role in the new government, although Boris Yodurov, a reformist ex-finance minister, may serve.

As for the rest of the population, they seem resigned to confusion. Tatiana Malkina, a newspaper columnist, summed it up. "Poor us," she said. "We might not have a civil war, but we are almost certainly guaranteed unemployment, hyper-inflation and total defeat. All we can do is change our attitude and enjoy it. Conversations about dollars and politics will soon give way to conversations about the meaning of life."

LETTERS TO THE EDITOR

Leave interest rates to the marketplace

From Mr Bert Ely.

Sir, Robert Chote, in "Victims of 'groupthink'" (September 7), summarised the drawbacks of central bankers' collective decision-making in determining where to peg whatever interest rate they control. However, he skipped over this threshold question: why is it necessary for central banks to send interest rate signals to the financial markets?

An interest rate is merely a price, specifically the price of credit. As history continually demonstrates, markets do a far better job of setting prices, including the price of credit, than central planners, which central bankers are. This is true regardless of how well-intentioned these bureaucrats are or the structure of their decision-making process.

I encourage Mr Chote to address this question: why do many people believe that central bankers can do a better job of setting interest rates than the marketplace?

Bert Ely,
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Little respect shown for Maastricht criteria

From Mr Richard Wright.

Sir, Lionel Barber is quite right ("Farewell, Brussels", September 10) when he says that EMU offers many lessons about European integration. He is quite wrong, however, to suggest that it demonstrates how France and Germany respect treaty commitments.

They hardly stuck to treaty commitments when they endorsed 11 countries joining the single currency when only one of those countries had actually met

all of the Maastricht criteria. Indeed, the most striking lesson is how, determined the French and German politicians are to create a European super-state against the will of the people of Europe, and whatever economic or legal obstacles fall in their way.

Richard Wright,
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From Mr Peter Jay.

Sir, Lionel Barber writes ("Farewell, Brussels"): "The trick for Europe's leaders is to catch up and shape these [national] forces without moving so far ahead of the people that all pretence at consent is abandoned."

So, the pretence should be kept up? For how long? Surely some mistake?

Peter Jay,
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Too much pet ideology, and too little magic of a lyrical fairy-tale

From Dr Katerina Kessler.

Sir, Richard Fairman's praise of English National Opera's revival production of *Rusalka* has moved me to wrath ("Drowned water nymph survives", September 8). Opera is primarily a musical experience, not a vehicle for imposing the producer's pet ideology on to opera lovers. The music, the tale, the imagery of *Rusalka* are closely interwoven into a lyrical fairy-tale.

So, why the middle-aged hero?

Why the wheelchair? Why the Victorian nursery, why the governess? Why the alleged taboo? These may fit Freudian theories: they do not fit Dvořák's music, or the libretto, or the setting or the characters, not to mention Dvořák's profoundly religious cast of mind. There is a real challenge in this opera, especially since it is not well known in the UK. How is the English city dweller of the industrial age to be made aware of the mystical atmosphere of

deep forests, so familiar to central Europeans? How is the audience to be presented with idiosyncratic Czech supernatural beings, so familiar to any child whose early years were populated by these creatures, but who mean nothing to the English? How to bring modern-age adults steeped in realism verging on cynicism back to the childhood magic of a fairy-tale?

The London opera-goers are culturally so far away from cen-

Give Russia cash in return for nuclear cuts

From Mr T. C. Tilden-Smith.

Sir, The Russian financial crisis is the worst in living memory. So far the International Monetary Fund has pumped in millions of dollars, no doubt with strict interest and repayment dates. My solution to the potential revolution in Russia is to have a revolution in bankers' thinking. We should give money to Russia in exchange for dismantling and destroying its nuclear, biological and chemical warfare capability.

There is little or no chance of receiving interest on loans let alone repayment, so why not a quid pro quo approach? At least then we will be under less of a threat from diversionary military actions by a revolutionary junta in Russia.

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Clinton's fight to the finish

It may seem like a distraction from the business of government. But, says Gerard Baker, the Starr inquiry goes to the heart of American democracy

To the rest of the world the events of this remarkable week in Washington seem a justifiable cause for a combination of ridicule and despair.

They appear to vindicate with depressing vigour the global cynicism about things American that permeates much of even the most intelligent international thinking about the world's only superpower.

Causes for ridicule are easy to spot. A blockbuster report is launched into cyberspace, detailing the sexual predilections of the president of the United States and calling for his removal from office.

Members of congress, not many of whom would survive a couple of days' intense scrutiny by an independent prosecutor charged to look at their private lives, troop through the doors of the White House to tell the president to show more remorse for his behaviour.

The president himself shuttles between venues making ever more tearful and self-flagellating acts of contrition, and praying publicly for the forgiveness of God for his misdemeanours. He concluded his most powerful expression of contrition yesterday by saying: "I ask that God give me a clean heart, let me walk by faith and not sight. I ask once again to be... an instrument of God's peace."

To many people outside America, it all seems maudlin at a time when despair appears to be more appropriate. While Washington fiddles, financial markets around the world are burning. Both Brazil and Argentina are under siege. The sure, Russia has responded to its turmoil by, it seems, turning backwards to central planning and hyperinflation (see stories opposite).

Japan has said that it stands willing to inject huge amounts of liquidity into the market, which might send the yen falling and could, if it happens, produce another

round of the Asia crisis. And, with two fifths of the global economy either in recession or heading that way, fears are growing of a contraction in world economic output for the first time since the Great Depression.

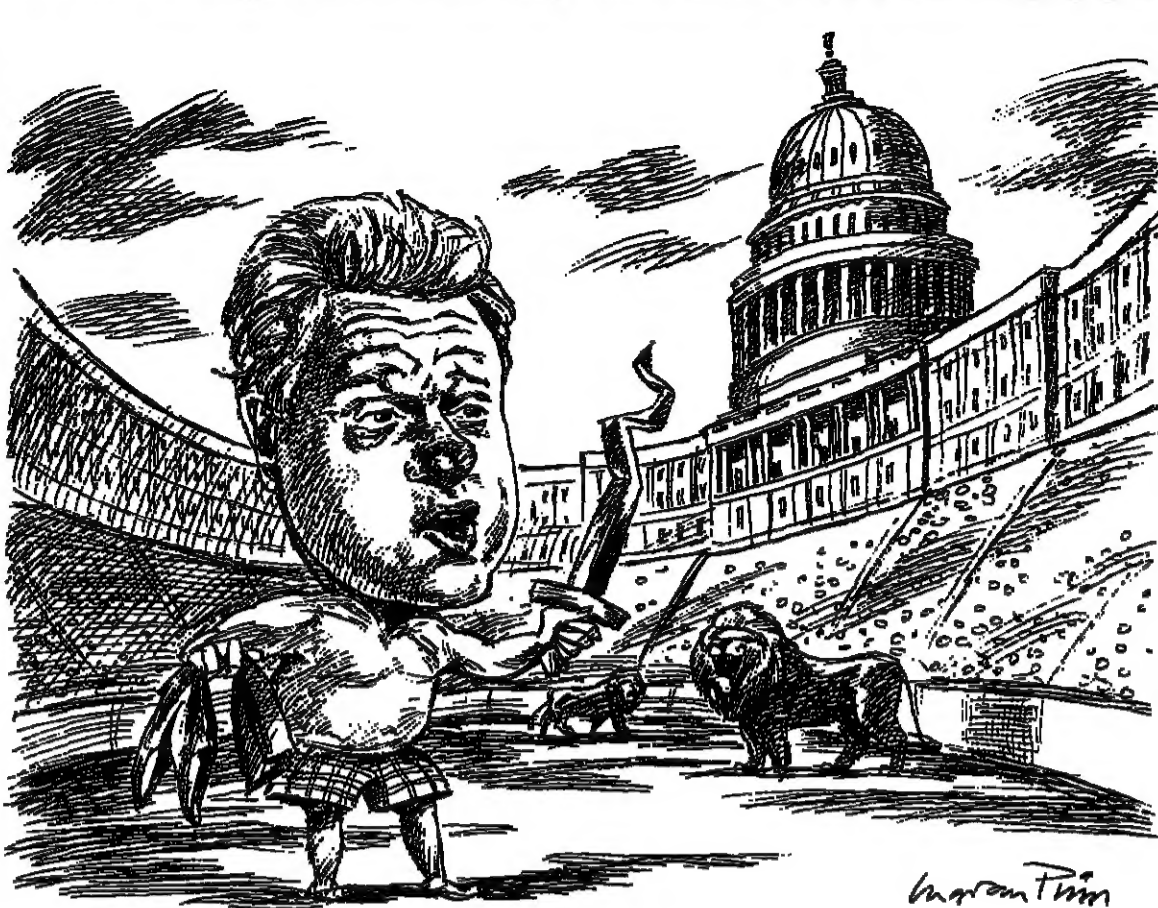
Yet while all this is going on, the world's most powerful economy, the cockpit of modern democracy, is turning inward, its leaders and people debating solemnly whether oral sex constitutes sexual relations and whether perjury is a serious offence.

Moreover, this is an obsession that could drag on for a long time. If President Bill Clinton does not resign, the impeachment process could take a year or more to grind through the Congress. If it does, then it would still be running during the last year of the presidency, a time when US policymakers traditionally start focusing on the extended election campaign ahead. In short, American politics could easily become preoccupied with local domestic matters for the next two years.

Does the world not have a right to expect something a little more responsible from its political and economic leader? Does not the whole spectacle cast serious doubt on the legitimacy and effectiveness of American leadership in a dangerous world?

In fact the process that began in earnest yesterday with the publication of the report by Kenneth Starr should be seen in a rather different light. Its details may appear excruciatingly prurient. And the attention it will receive may seem distracting and prolonged.

But it would be a serious mistake for the rest of the world to dismiss it as an obsession over a monstrous triviality. Unlike though it may seem, the Monica Lewinsky affair is in fact about the central questions of modern democracy, and as ever it is America that is confronting them. It is about the rule of law - the extent to which



citizens of all ranks in a democracy are subject to transparent legal restraint. It is about the never-ending struggle to find the right balance between the powers of an executive charged with

While Washington stands transfixed, financial markets around the world are crumbling

running the affairs of a country and the powers of a legislature and judiciary to constrain it. And, perhaps, most importantly, it is about addressing a new challenge

for contemporary governance - establishing the proper limits of openness, the dividing line between the public and the private.

The rule of law is still a relatively modern phenomenon to much of the world. But it has been the centrepiece of the US constitution for more than 200 years.

If President Clinton attempted to undermine the judicial process by lying and obstructing the course of justice in the Paula Jones sexual harassment suit this year, even his supporters acknowledge he will have seriously violated the law.

No one believes such an allegation, if supported by solid evidence, could be ignored, simply because the underlying episode it relates to was about a sexual rela-

tionship. More importantly, no American believes the president should be treated differently if he did break the law.

"How can Mr Clinton be allowed to go unpunished for a crime for which a number of ordinary citizens are currently serving jail sentences?" asks Jonathan Turley, law professor at George Washington University.

The process that begins this weekend does not presuppose its own outcome. It is designed to ascertain whether or not Mr Starr has produced clear evidence to support the allegations. If he has, few members of congress will not vote for impeachment. If he has not, Mr Clinton will in all probability, survive.

The second reason the

Lewinsky affair matters to the rest of the world is that it will almost certainly determine in the longer term the accountability of the president.

In the television era, presidents have ceased to be inaccessible figures

electoral official in the US is the president himself, a fact that gives him enormous popular authority. Though his legislative powers are weak, this popular mandate

has proved effective in the past in allowing him to get his way and has raised the risk of abuse of power.

It was for this reason that the law establishing the independent counsel statute that has given Mr Starr such free rein to cause havoc was passed. When the Lewinsky affair is at last over, the debate will begin on whether or not the constraint it has imposed on the presidency is too great and whether some new arrangement needs to be found that balances the rights of the president against the rights of congress and the judiciary.

But perhaps the most important service the Lewinsky affair has done for modern democracy is to help define the limits of openness in the most open of democratic societies.

How much of a political leader's private life should the public be allowed to know? At one of the tear-stained confessional encounters Mr Clinton held with his Democratic Party colleagues this week, there was at least one uncomfortably frank exchange. When the president duly expressed remorse to cabinet members for his actions in the Monica Lewinsky case and asked for their forgiveness, Donna Shalala, the diminutive but punchy health and human services secretary, chided Mr Clinton over the question of character.

She was appalled that Mr Clinton felt he was able to separate questions about his personal morals from his ability to do his job as president. He should acknowledge, she argued, that he uniquely sets an example to the rest of the country and should not bear that responsibility lightly.

Mr Clinton's response, according to reports, was caustic. It went along the lines of: "If that standard had been applied in 1960, Richard Nixon would have been elected president, rather than John F Kennedy."

Mr Clinton was making a false comparison. One of the features of the modern presidency is its intimacy. This is a feature Mr Clinton himself has done much to foster. In the television era, presidents have ceased to be inaccessible figures placed on pedestals for public admiration. They have invited themselves into the nation's sitting rooms, and have openly discussed their personal lives as a way of furthering their popularity in increasingly non-ideological times.

No one has done this more effectively than Mr Clinton. Whether assuming the people that he "feels your pain" or discussing his choice of underwear on MTV, Mr Clinton has made the personal political and used it to his advantage. Furthermore, since he became president he has always known that his personal life and background was a matter of wide public knowledge and interest. He may not have liked it all that much, but he must have recognised the special burden that placed on him to behave with decorum in his private life.

All these matters may not be especially edifying but they are increasingly important in a modern democracy and the Lewinsky debate will make an important contribution to the debate about where transparency ends and privacy begins.

That the months ahead will be traumatic for many of the characters involved is beyond question. The report is out and preliminary impeachment hearings seem likely to begin soon. With Mr Clinton promising to fight, and with no certainty yet to the outcome, the chances of a protracted impeachment battle seem high.

The process may take an age, and it is hard to see how it will divert some energies from some important tasks. But it is, at root, the world's most effective and durable democracy at work. It should not be lightly dismissed.

A setback for the Goldilocks economy

The US president's trouble could not have come at a worse moment for the markets, say Richard Waters and John Labate

A US presidency coming to a premature and ignominious end: a domestic economy skidding into recession; looming concerns about inflated real estate and financial asset prices. It all happened before - in 1974, the year of Watergate and the last bear market on Wall Street.

The sudden precariousness of the Clinton presidency has come at a bad time for the stock market. It was only a matter of weeks ago that the so-called "Goldilocks economy" was in full swing, promising a continuing parade of steady economic growth, low inflation and rising share prices.

Since then, the markets have been forced to swallow a huge dose of bad news. Russia's financial collapse had the effect of pouring gasoline on the embers of the Asian currency crisis. Latin America could easily fall victim. The problems threaten eventually to set off a recession in the US.

Against that background, the doubts over President Bill Clinton's future could hardly have arisen up at a worse time. And until they are settled, share prices are likely to remain under pressure.

"What the market doesn't want, categorically, is months of uncertainty, with Clinton unable to act," says David Hale, chief economist at Zurich Kemper Investments in Chicago. And unless it gets a quick presidential resignation, that is just what lies in store.

The turmoil in the the White House could well have its strongest effect on foreign investors, who have returned to Wall Street in force this year.

Foreigners are always the first to run for the hills when domestic political concerns take hold, says Richard McCabe, chief equity analyst at Merrill Lynch, the US investment house. They are less able to understand how a political crisis will work out, and so more likely to reduce their risks by reducing their stock market holdings.

uncertainty about the future that is troubling investors, however.

The markets have already been given a graphic illustration of the risks posed by a crippled presidency: the White House's efforts to push ahead with financial support for the International Monetary Fund have stalled over opposition from Republican opponents in Congress.

The Clinton camp now finds itself with little political capital to expend on the issue.

The risk that, without effective leadership, the international financial contagion will continue to

The possibility of a resignation is already the talk of Wall Street, where traders are speculating on a bounce in share prices

spread was amply illustrated by events close to America's own doorstep yesterday.

Brazil (see facing page), seemingly staring catastrophe in the face in its attempts to stave off a devaluation, was forced to raise interest rates to about 40 per cent.

US backing for the IMF would have sparked an immediate relief rally in Latin American financial markets, removing some of that pressure, says Mr Hale. Instead, the global financial system is still groping for some sort of anchor.

"The US must take a leadership role with the IMF," said Hugh Johnson, equity strategist at First Albany, a stockbroker. "Then you'd have the faint beginning of a lender of last resort, which could start to stabilise or rebuild confidence."

It is a moot point as to whether the sex scandal that now engulfs Clinton has really changed this picture

in any significant way. The international financial crisis has been brewing for months with no effective leadership from the US to head it off, so it is not clear that an unencumbered White House would be any more effective in mounting an effort to calm the global financial crisis.

"Why now, if not then?" says Henry Kaufman, an independent Wall Street economist. The lack of political leadership, both in the US and elsewhere, has been apparent for months, he adds, making President Clinton's latest troubles only

of marginal relevance. The international markets can at least draw comfort from the two stable poles of US financial policy - Alan Greenspan, the Federal Reserve chairman, and Robert Rubin, Treasury secretary.

The view in the markets is that the political circus arising from the Starr report does not put Mr Rubin's position in doubt. "He was appointed by Mr Clinton, but he isn't tainted by Mr Clinton's brush," says Martin Barnes, an economist at Bank Credit Analyst, a research group based in Montreal.

Mr Greenspan, meanwhile, has already raised the possibility of a cut in US interest rates, which fuelled the rise on Wall Street earlier this week and which, if it came about, would help calm global markets.

This suggests that the president's troubles, while not helping the situation,

may not have greatly changed the dynamics in the world financial markets.

There is, however, still the question of what a prolonged period of political uncertainty over President Clinton's fate would do to share prices. Faced with greater doubts about the future, investors tend to reduce their exposure to risk. In many ways, that accounts for the fall in financial markets in recent weeks, as investors have demanded a far higher premium for accepting risk in a more uncertain world.

With US Congressional elections less than two months away, the doubts among investors are likely to multiply.

Will Democratic voters avoid the polls in disgust, handing an even stronger Congress arising out of the Clinton's political enemies? Will Republicans, smelling blood, push harder for issues on their own political agenda, such as tax cuts? Would a shift in the balance of political power have any impact on important long-term policy debates such as the future of "fast track" trade approval or social security reform?

In the short term, the uncertainty itself, rather than the potential answers to these questions, would be the issue.

The alternative is something that might go down much better with the financial markets, if it seems that the Starr report turns out to be a political albatross: the early departure of the president.

The possibility of Mr Clinton's resignation was already the talk of Wall Street yesterday, prompting traders to speculate on the prospect of a new bounce in share prices if the political uncertainty lifted. A President Al Gore, after all, would be a known quantity.

Act of unwise counsel

Jurek Martin on the powers of Kenneth Starr and his Watergate predecessor

Most sober independent minds in Washington agree today on one thing: that the 1978 Independent Counsel Act, whose most visible current manifestation is Kenneth Starr, is a bad piece of legislation.

It is commonplace now to quote approvingly the arguments of Justice Antonin Scalia in his lone dissent to the 1988 Supreme Court ruling upholding the legality of the law - that the US constitution never envisaged the creation of a permanent fourth arm of government, alongside the executive, legislative and judiciary, with unlimited powers of inquiry.

Yet, five years before the act, another prosecutor was invested with comparable sweeping powers. Archibald Cox was named special prosecutor to investigate the proliferating charges of wrongdoing by President Richard Nixon and his associates.

His charter stipulated that he had the "full authority" of the attorney general to delve not merely into the Watergate burglary but "all offences arising out of the 1972 presidential election for which the special prosecutor deems it necessary and appropriate to assume responsibility, allegations involving the president, members of the White House staff or presidential appointees."

It also stated that he could be fired only by the attorney general and then only on grounds of "extraordinary improprieties." He was under no obligation to "inform or consult with the attorney general" or, by extension, the president, on the progress and direction of his investigations.

There are also intriguing political parallels between Cox and Starr. The Watergate prosecutor was drawn from the Democratic establishment to investigate a Republican president. More than that, he was closely associated with the Kennedys, the Democratic dynasty family that had long been Nixon's bete noir.



such as Henry Kissinger). Cox was appointed by another Boston Brahmin, attorney general Elliott Richardson, a liberal Republican. Showing his own independence from the outset, Richardson chose his old friend because he trusted his crusty integrity, even though he was not on the short list of 13 drawn up by administration officials.

Starr, also well regarded at the beginning of his term for his judicial impartiality and independence, is not the first Whitehouse counsel, having succeeded the initial appointee, Robert Fiske, four years ago. His roots were in the increasingly dominant conservative wing of the Republican party. He had been a Ronald Reagan's solicitor general and subsequently a federal judge before moving back into private practice, which he maintained, in the face of criticism, for much of his service as independent counsel.

Just as Nixon mistrusted Cox's liberal connections, Clinton has felt cause to suspect the company Starr has kept. They include the two rightwing senators from North Carolina, Jesse Helms and Lauch Faircloth, and the

deciding whether to proceed with articles of impeachment.

In the summer of 1974 it was chaired by Peter Rodino, the Democrat from New Jersey. Like Henry Hyde of Illinois, the Republican who now holds the post, he was considered a cautious, seasoned politician, aware of the enormity of the task confronting the 21 Democrats and 17 Republicans under his gavel.

It was a closely divided committee, including moderate Republicans out of sorts with Nixon, such as William Cohen of Maine, now Clinton's secretary of defence, and conservative southern Democrats from districts that had voted heavily for the president in the 1972 elections. Gerald Ford, then House minority leader, even told the president on the eve of impeachment hearings in July, 1974, "you've got this beat."

The current committee is an entirely different animal. For all their civility this week, Mr Hyde's relations with John Conyers, the ranking Democrat, have been strained. More important, virtually all the republicans on the committee are well to Mr Hyde's right, including such anti-Clinton firebrands as Bob Barr of Georgia and Lindsey Graham of Florida.

Equally, most of its Democrats are to the left of the party's centre, including arguably the sharpest debater in Congress, Barney Frank of Massachusetts. The committee has been called, with some accuracy, the most ideologically polarised and undisciplined on Capitol Hill.

Perhaps the critical difference, however, is that in 1974 the committee contemplated impeachment under an almost daily avalanche of new disclosures from the court-ordered release of White House tapes, prompting the defection of those who had stuck by Nixon.

By contrast, the Starr report is presumably the definitive working document on which to contemplate indicting a president - and some of its allegations, though undoubtedly damaging, may not constitute clear grounds for impeachment.

The 1978 act expires next year, unless renewed by Congress. Perhaps by then, America will have been sufficiently stung by scandal to say "enough is enough."

COMMODITIES & AGRICULTURE

Gold prices affected by US crisis

WEEK IN THE MARKETS

By Kenneth Gooding and Paul Solman

Gold yesterday continued to be caught up in the financial markets' turmoil created by the threat that Bill Clinton, US president, might be impeached.

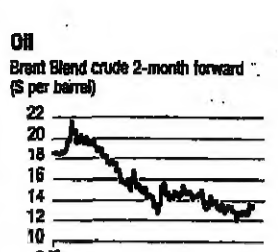
Its performance closely followed the ups and downs of the dollar and US share prices, moving above \$286 a troy ounce at one stage, following the \$7 rise to \$280.50 on Thursday.

As US share prices recovered, gold fell back to close in London at \$280.50 an ounce from Thursday's close, at \$283.25. Dealers suggested there was selling by traders and producers and some short covering as the price attempted to reach \$300.

Also, many gold market participants opted to square positions ahead of the week-end because all markets were on tenterhooks over the expected release of independent counsel Kenneth Starr's report on the Clinton sex scandal, traders said.

News that the Czech central bank had sold 31 tonnes of gold this week was brushed aside. "The tonnage is pretty small and is unlikely to have a disastrous effect on prices," said Kamal Naqvi, analyst at Macquarie Bank. "The concern now is that there may be other emerging countries that may sell gold."

The Gold Fields Mineral predicted that gold's price would average \$279 in the second half of this year and would range between \$250



LME warehouse stocks

	Tonnes	Change
Aluminium	474,100	+380
Aluminium alloy	76,720	+100
Copper	382,720	+470
Lead	112,620	+20
Nickel	58,212	+20
Zinc	384,550	+20
Tin	7,900	+120

Source: London Metal Exchange

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Anonymous Metal Trading)

All aluminium, 99.7% purity (5 per cent)

Cable 3 months

Close 1346.47

Previous 1346.47

High/Low 1346.47

AM Official 1346.47

High/Low 1346.47

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PRECIOUS METALS CONTINUED

GOLD COMEX (100 Troy oz. May 02)

Settle Day's price change High Low Vol Open

Sep 293.3 +3.2 -

Oct 294.4 +1.0 297.7 291.6 1,855 10,065

Nov 296.8 +3.0 300.2 296.2 80,864 100.0

Dec 298.5 +3.0 301.6 298.0 855 15,549

Jan 300.2 +3.0 302.5 298.4 3,371 17,292

Feb 301.8 +3.0 304.0 302.1 24 15,435

Total 85,881 194,280

All platinum, 99.95% purity (5 per cent)

Close 565.3

Previous 565.3

High/Low 565.3

AM Official 565.3

High/Low 565.3

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CURRENCIES & MONEY

Real recovery

MARKETS REPORT

By Richard Adams

Political uncertainty in Washington and economic uncertainty in the rest of the world meant that the US dollar endured another punishing day on the international currency markets.

The dollar "had the tar kicked out of it yesterday", according to Marc Chandler, Deutsche Bank's foreign exchange strategist in New York, before recovering against the D-Mark during late trading in New York.

The Japanese yen enjoyed a stronger day against the dollar, Japanese life insurers and offshore funds sold dollars after rumours that President Clinton had resigned.

The dollar stumbled to Y128, or Y6 off its closing price in London on Thursday, before recovering to Y131. All this on a day that Japan announced a contraction in economic output of 0.8 per cent during the second quarter, leaving the country deep in recession.

The dollar also displayed further weakness against the D-Mark and the Swiss franc.

Yesterday was a better day for Brazil's struggle to hold its currency within its targeted exchange rate band against the US dollar.

The turnaround was helped by the Brazilian central bank's decision late on Thursday to raise its short-term lending rate by 50 per cent. The bank's basic lending rate is now 49.75 per cent, compared with its earlier 29.75 per cent interest rate.

The dollar's weakness came mainly on the back of speculation that the US Federal Reserve has become more likely to cut interest rates because of the global economic turbulence. There have also been heavy flows out of dollars from hedge funds and Japanese investors repatriating their holdings to boost their balance sheets.

The dollar is now about 8 per cent below its peak against the D-Mark of DM1.855 in April, and 10 per cent down against the yen from its peak of Y147.3 last month.

"Current sentiment towards the dollar against the D-Mark is as poor as I have ever seen it," said Ravi Bulchandani, Morgan Stanley's international currency strategist. "A short sharp drop in the dollar certainly cannot be ruled out."

The rate rise was aimed at keeping domestic capital in the real. Brazil's Bovespa equity index was up 5 per cent after the rate increase, following Thursday's 15 per cent fall.

But in London there was a belief that the real's collapse was "just a matter of time", in the words of one emerging markets analyst. Brazil has a deficit of \$20bn on its current account and owes \$11bn in foreign borrowing.

The Brazilian currency has been watched closely in recent days for signs of a devaluation.

Over the last two weeks, Brazil's government has been selling dollars to keep the real within its official trading band. The bank said its foreign exchange reserves stood at \$52bn yesterday, compared with \$67bn at the end of August.

By late afternoon in New York, the dollar was trading at 1.6915 against the D-Mark and 130.80 against the yen.

Against the D-Mark (D/M\$)

Against the yen (Y/\$)

Against the dollar (D/\$)

Against the D-Mark (D/M\$)

Against the dollar (D/\$)

Against the D-Mark (D/M\$)

Against the dollar (D/\$)

ROUND SPOT FORWARD AGAINST THE POUND

Day 11	Closing mid-price	Change in day	Mid-price spread	Day's Mid high	Day's Mid low	One month %	Three months %	One year %	
Australia	(16)	19.9597	-0.0111	19.961	19.946	30.1025	19.9005	19.9392	19.911
Belgium	(16)	96.9594	-0.0241	96.97	96.9465	18.9423	96.8749	96.9811	96.911
Denmark	(16)	10.9459	-0.0112	10.945	10.930	10.9550	10.9270	10.9282	10.927
France	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Germany	(16)	1.9577	-0.0002	1.958	1.9571	1.9577	1.9570	1.9575	1.957
Greece	(16)	2.9419	-0.0025	2.943	2.937	2.9524	2.9294	2.9325	2.935
Hong Kong	(16)	69.7705	-2.985	69.804	69.4713	69.8533	69.5235	69.805	69.77
India	(16)	1.1119	-0.0001	1.112	1.111	1.112	1.111	1.1121	1.111
Indonesia	(16)	300.50	-1.54	300.5	300.45	300.57	300.47	300.53	300.48
Japan	(16)	55.9204	-0.0421	55.94	55.849	55.9440	55.8611	55.931	55.89
Netherlands	(16)	1.2686	-0.0003	1.268	1.2678	1.2692	1.2679	1.2694	1.268
New Zealand	(16)	17.7658	-0.0654	17.81	17.7255	18.2632	17.7244	17.765	17.765
Portugal	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Spain	(16)	241.523	-0.004	241.53	241.509	241.530	241.524	241.53	241.524
Sweden	(16)	12.2073	-0.1179	12.208	12.196	12.2138	12.1782	12.1728	12.178
Switzerland	(16)	1.2394	-0.0005	1.239	1.2384	1.2402	1.2378	1.239	1.238
UK	(16)	1.4474	-0.0005	1.448	1.4464	1.4494	1.4458	1.4473	1.446
US	(16)	1.2694	-0.0005	1.269	1.2684	1.2694	1.2688	1.2693	1.268
Argentina	(16)	1.0592	-0.0003	1.059	1.0582	1.0598	1.058	1.059	1.058
Brazil	(16)	1.988	-0.0027	1.99	1.9853	1.9918	1.986	1.988	1.987
Canada	(16)	2.5479	-0.0025	2.548	2.546	2.5491	2.5454	2.5469	2.546
Chile	(16)	17.796	-0.0058	17.8	17.7594	17.8282	17.453	17.805	17.796
Colombia	(16)	1.8539	-0.0027	1.854	1.851	1.8541	1.851	1.853	1.851
Czech	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Denmark	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
France	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Germany	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Hong Kong	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
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Japan	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Korea	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Malaysia	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Mexico	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
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New Zealand	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Philippines	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Poland	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Portugal	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Romania	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Saudi Arabia	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
South Africa	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Spain	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
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Switzerland	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Taiwan	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Thailand	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
Turkey	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
USA	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
UK	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
USSR	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
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South Korea	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
China	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.9481	1.947
India	(16)	1.9499	-0.0007	1.9497	1.9487	1.9510	1.9470	1.948	

UNIT TRUSTS

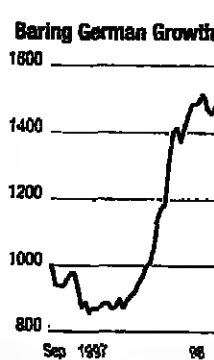
WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR:

Baring German Growth	1,390
OF Oley European Acc	1,387
Invesco European Growth	1,372
Invesco European Small Cos	1,338
OU PPT Europe Growth	1,289

BOTTOM FIVE OVER 1 YEAR:

HSBC Singapore & Malaysian Gth	245
Gumness Flight Asian Sm Cos	303
Fidelity ASEAN	304
HSBC Tiger Index	342
Dresdner RCM Little Dragon Inc	347

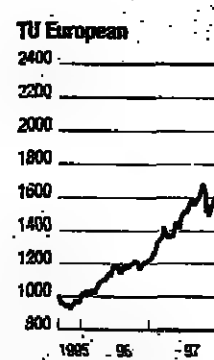


TOP FIVE OVER 3 YEARS:

Invesco European Growth	2,184
Invesco European Small Cos	2,130
TU European	2,076
Threadneedle Euro Sel Gt Acc R	2,056
Newton European	2,053

BOTTOM FIVE OVER 3 YEARS:

Old Mutual Thailand Acc	136
Fidelity ASEAN	217
Save & Prosper Korea	220
Schroder Seoul	222
HSBC Singapore & Malaysian Gth	224



TOP FIVE OVER 5 YEARS:

GA North America Growth	3,141
Invesco European Growth	3,122
Baring European Sel Opps	3,067
Invesco European Small Cos	2,930
Threadneedle Euro Sel Gt Acc R	2,917

BOTTOM FIVE OVER 5 YEARS:

Save & Prosper Korea	224
Old Mutual Thailand Acc	224
Schroder Seoul	227
HSBC Singapore & Malaysian Gth	272
Fidelity ASEAN	295

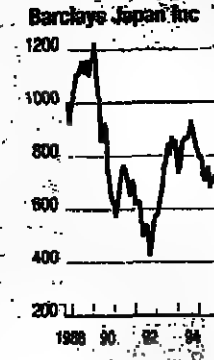


TOP FIVE OVER 10 YEARS:

F&C US Small Companies	7,288
GA North America Growth	6,910
Aberdeen Pacific Technology	6,598
Invesco European Growth	6,175
Britannia American Growth Inc	6,140

BOTTOM FIVE OVER 10 YEARS:

Barclays Japan Inc	389
M&G Japan Acc	432
Henderson Japan Smaller Cos	475
Baring Japan Sunrise	487
Save & Prosper Gold & Expt'n	504



Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Unit Trust	1 year (%)	3	5	10	Volatility	Yield
Average Unit Trust	930	1196	1444	2736	4.1	2.5
Average Investment Trust	1019	1235	1517	3130	5.9	4.4
Bank	1045	1122	1207	1777	0.0	5.7
Building Society	1042	1113	1203	1774	0.0	5.4
Stockmarket: FTSE All-Share	1084	1543	1911	3825	3.3	3.3
Inflation	1028	1093	1198	1528	0.3	-

UK Growth	1 year (%)	3	5	10	Volatility	Yield
Johnson Fry Slater Growth	1004	1852	2200	4387	4.3	1.8
River & Mercantile Ltd Growth	1108	1721	2217	4314	3.4	1.4
Old Hatley Growth	1021	1729	2175	4289	4.1	1.6
Savary UK Growth	1124	1647	2098	-	2.5	1.8
Easton Capital Growth	1168	1602	1981	-	6.0	-
SECTOR AVERAGE	1011	1773	2149	4280	3.8	1.7

UK Growth & Income	1 year (%)	3	5	10	Volatility	Yield
Fleming Select UK Income	1132	1869	2083	3212	3.4	2.8
OF The Utilities	1043	1667	2255	-	3.4	2.7
Laurence Keen Income & Growth	1083	1611	1832	-	3.5	3.2
River & Mercantile Top 100	1093	1602	-	-	3.5	3.4
HSBC Focus Fund	1081	1594	1837	-	3.6	1.9
SECTOR AVERAGE	1089	1605	1897	2954	3.4	2.3

UK Smaller Companies	1 year (%)	3	5	10	Volatility	Yield
NorthWest UK Smaller Cos	1005	1715	-	-	4.5	1.7
Laurence Keen Smaller Cos	1026	1661	2232	-	4.3	1.4
Henderson Exempt Cypriot	1154	1590	1748	-	4.1	1.2
Gumness UK Smaller Companies	863	1581	2087	2533	4.3	1.1
GT UK Smaller Companies Acc	1288	1577	1777	-	4.2	1.2
SECTOR AVERAGE	948	1711	1432	1969	4.2	1.7

UK Equity Income	1 year (%)	3	5	10	Volatility	Yield
BWD UK Equity Income	1089	1808	2056	3385	3.1	3.5
Jupiter Income	1080	1804	2056	3385	2.9	4.0
Fidelity Income Plus	1074	1788	2011	3453	3.2	4.4
Premier Dividend	1188	1649	2017	3086	3.4	3.9
Britannia High Yield Inc	1076	1547	1807	3003	3.0	3.3
SECTOR AVERAGE	1088	1780	1827	2876	3.1	4.0

UK Equity & Bond Income	1 year (%)	3	5	10	Volatility	Yield
Marlborough HI UK High Income	1145	1494	-	-	2.4	5.5
OF UK Income	1110	1487	1891	-	2.8	5.5
CU PPT High Yield	1138	1486	1889	2748	2.6	5.3
HSBC High Income	1071	1488	-	-	2.4	5.5
Abbey National Extra Income	1055	1473	1837	3383	2.3	4.8
SECTOR AVERAGE	1043	1321	1800	2488	2.4	5.1

UK Eq & Bd	1 year (%)	3	5	10	Volatility	Yield
Canlife Income Div	1059	1468	1643	2763	2.8	2.9
Parpetual High Income	1033	1455	1813	4373	3.2	3.5
AXA Sun Life High Yld Inc	1048	1416	1820	2826	2.7	3.5
NPI UK Extra Income Inc	1075	1404	1711	-	2.8	2.0
AXA Sun Life Income & Bth Inc	1015	1399	1878	2542	2.9	2.4
SECTOR AVERAGE	1057	1383	1640	3035	2.8	2.9

UK Fixed Interest	1 year (%)	3	5	10	Volatility	Yield
CU PPT Preference Inc	1238	1583	1629	2492	2.2	5.7
CU PPT Monthly Income Plus	1194	1492	1611	-	1.8	5.7
Henderson Preference & Bond	1183	1488	1589	2172	1.1	8.4
Dresdner RCM Preference Inc	1178	1479	1635	2506	1.4	8.7
Profit & Loss Fund Interest	1165	1464	1586	2221	1.5	5.0
SECTOR AVERAGE	1086	1311	1487	2205	1.4	6.0

UK Gilt	1 year (%)	3	5	10	Volatility	Yield
Fidelity Institutional Lg Gilt	1248	1538	-	-	2.1	5.5
Mercury Long-Dated Bond	1183	1421	1488	-	1.9	4.0
M&G Gilt & Fixed Interest	1185	1408	1487	2295	1.8	4.9
Fleming Select UK Bond	1180	1351	-	-	1.2	6.3
Gumness PS Fixed Interest	1148	1361	1398	2280	1.4	5.9
SECTOR AVERAGE	1114	1288	1308	2188	1.2	5.1

Far East exo Japan	1 year (%)	3	5	10	Volatility	Yield
Friends Prov Australian	723	979	1271	2312	4.8	-
HSBC Hong Kong Growth	391	918	1180	3832	8.3	2.7
INVESTCO Hong Kong & China	379	757	878	3180	8.8	2.7
GT Orient Acc	412	854	748	-	6.1	-
Fidelity South East Asia	808	850	848	2582	7.8	2.0
SECTOR AVERAGE	496	877	987	1845	8.3	1.9

Far East Inc Japan	1 year (%)	3	5	10	Volatility	Yield
Smith & Williamson Far East	898	860	841	-	8.3	0.5
Save & Prosper Far East Sm Cos	846	864	874	-	5.5	0.9
Royal & SunAll Far East	810	848	747	986	8.7	1.5
Fleming Prov Pacific Basin	818	838	770	1155	8.8	0.1
AB Cowi Growth China	391	838	810	1589	9.1	-
SECTOR AVERAGE	871	851	830	1217	8.0	1.2

Japan	1 year (%)	3	5	10	Volatility	Yield
GT Japan Growth	817	830	864	1179	3.2	0.0
Marlborough Japan Growth	871	818	788	-	5.1	-
Bullitt Offshore Japanese	728	788	710	1059	8.9	0.1
Newton Japan	882	759	883	878	6.7	-
Martin Currie Japan	884	743	748	-	5.5	-
SECTOR AVERAGE	867	868	831	763	6.9	0.8

Europe	1 year (%)	3	5	10	Volatility	Yield
INVESTCO European Growth	1172	2184	3122	8175	6.0	-
INVESTCO European Small Cos	1338	2130	2930	5957	5.5	-
TU European	1238	2075	-	-	4.2	1.2
Threadneedle Euro Sel Gt Acc R	1284	2055	2917	5090	5.5	-
Newton European	1283	2053	2855	5028	5.4	-
SECTOR AVERAGE	1147	1963	2185	4342	5.1	0.6

Global Emerging Mkts	1 year (%)	3	5	10	Volatility	Yield
Stewart Ivory Emerging Market	457	855	888	-	7.8	0.9
Mercury Emerging Markets	418	848	728	-	4.7	0.8
Barclays PS Emerging Markets	322	837	867	-	8.0	1.5
Marlborough HI Global Em Mkts	387	815	-	-	6.6	-
Gumness Emerging Markets	479	561	850	1048	7.8	-
SECTOR AVERAGE	425	846	810	1418	7.9	1.1

International Equity Income	1 year (%)	3	5	10	Volatility	Yield
GT International Income Inc	1151	1819	1793	3858	3.4	2.7
Mayflower Global Income	1044	1360	1586	2515	3.1	2.4
M&G International Income	972	1292	1487	3083	3.4	4.3
Premier Global 100	1008	1283	1487	1808	3.8	-
SECTOR AVERAGE	1031	1384	1588	2815	3.4	2.4

International Fixed Interest	1 year (%)	3	5	10	Volatility	Yield
Baring Global Bond	1085	1299	1388	-	1.8	5.1
Newton International Bond	1088	1254	1258	-	1.9	4.3
Barclays BGI Int Flt Inc	1063	1249	1274	-	1.0	4.5
Marlborough Managed	1070	1222	1308	2340	1.7	3.7
AGS Int Bond & Convertible	1082	1212	1282	-	1.2	5.4
SECTOR AVERAGE	1075	1074	1124	1886	1.7	4.7

International Equity & Bond	1 year (%)	3	5	10	Volatility	Yield
Fleming General Opportunities	1088	1459	1801	-	2.4	3.4
Bank of Ireland Ex Mgd Growth	1010	1384	1802	-	2.9	2.2
GA Income Portfolio	1088	1388	1488	-	3.7	2.5
Aberdeen Pacific Life Inc Inc	1084	1311	1484	2435	3.2	3.4
BNV Joint Investment Income	1088	1300	-	-	2.4	4.1
SECTOR AVERAGE	982	1228	1430	2743	2.7	2.5

International Growth	1 year (%)	3	5	10	Volatility	Yield
Save & Prosper Financial Sea	888	1730	2238	4442	4.5	0.5
Pennings Financial	1043	1727	2288	5586	4.5	0.4
HSBC Global Financial	1017	1600	1827	3989	4.3	1.4
Gumness Global Utilities	1181	1583	-	-	4.2	1.3
Save & Prosper Growth	1080	1537	2006	4077	3.9	0.7
SECTOR AVERAGE	880	1151	1424	2763	4.6	1.1

Best Peps	1 year (%)	3	5	10	Volatility	Yield
INVESTCO European Growth	1372	2184	3122	8175	6.0	-
INVESTCO European Small Cos	1338	2130	2930	5957	5.5	-
TU European	1238	2075	-	-	4.2	1.2
Threadneedle Euro Sel Gt Acc R	1284	2055	2917	5090	5.5	-
Newton European	1283	2053	2855	5028	5.4	-
SECTOR AVERAGE	1030	1373	1679	-	-	-

Property	1 year (%)	3	5	10	Volatility	Yield
Aberdeen Pacific Property Str	949	1315	1308	-	3.8	1.1
Norwich Property	1033	1303	1491	-	1.0	4.8
Barclays Property	1026	1233	1376	-	0.9	6.1
Always Residential Property	978	1170	-	-	0.9	5.5
SECTOR AVERAGE	1001	1255	1381	-	1.8	4.4

Nth America	1 year (%)	3	5	10	Volatility	Yield
Fleming Select American	1038	1745	-	-	3.8	1.0
Scott Equitable American	1035	1743	2231	5104	4.2	0.8
Gumness PS I S USA	1085	1742	2213	-	4.2	1.0
Baring American Growth	1079	1738	2119	4412	4.7	-
Edinburgh North American	1015	1737	2389	6803	4.8	0.8
SECTOR AVERAGE	911	1372	1819	3595	4.9	0.8

■ Commodity & Energy						
M&G Australasian Acc	887	991	1240	1706	9.8	
M&G Commodity	580	613	887	1307	6.8	
HS Samuel Natural Resources	598	581	789	1052	6.8	
Lloyds TSB Natural Resources	578	556	742	1087	6.8	
Save & Prosper Commodity	857	842	736	1206	7.0	
SECTOR AVERAGE	547	544	764	1255	7.7	

ICE **Authorised and Insured**

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Rating	Symbol	Price	% Chg	Yield	Rating	Symbol	Price	% Chg	Yield	Rating	Symbol	Price	% Chg	Yield	Rating	Symbol	Price	% Chg	Yield
Morgan Grenfold Investment Funds Ltd																			
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1980 Payroll	217.7	-3.0	3.1	1980 Payroll	210.8	274.7	-3.9	-	Payroll Per Cap	941.8	359.8	-2.1	-	Starting Payroll	192.19	181.50	-	-
														Ending Payroll	149.30	138.14	-	-

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Offshore Funds and Insurances

● FT Cuyahoga Unit Trust is also available over the telephone. Call the FT Cuyahoga Help Desk on (444 171) 873 4376 for more details.

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FT MANAGED FUNDS SERVICE

Offshore Insurance and Other Funds

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Fund Name	Asset Class	Investment Objective	Manager	Assets Under Management (£m)	NAV	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)
Royal Skandia Life Assurance Ltd	Life	Long-term capital growth	Skandia Asset Management	1,200	1.00	12.5	18.2	22.1
SEA Associates	Equity	Global equity	SEA Associates	500	1.00	15.0	20.0	25.0
Deutsche Bank AG	Equity	Global equity	Deutsche Bank AG	1,500	1.00	10.0	15.0	20.0
Bank of America	Equity	Global equity	Bank of America	2,000	1.00	8.0	13.0	18.0
Bank of New South Wales Ltd	Equity	Global equity	Bank of New South Wales Ltd	1,800	1.00	9.0	14.0	19.0
Bank of Nova Scotia Trust Co (Cayman) Ltd	Equity	Global equity	Bank of Nova Scotia Trust Co (Cayman) Ltd	1,600	1.00	7.0	12.0	17.0
Bank of Montreal	Equity	Global equity	Bank of Montreal	1,400	1.00	6.0	11.0	16.0
Bank of Tokyo-Mitsubishi	Equity	Global equity	Bank of Tokyo-Mitsubishi	1,300	1.00	5.0	10.0	15.0
Bank of West	Equity	Global equity	Bank of West	1,200	1.00	4.0	9.0	14.0
Bank of Victoria	Equity	Global equity	Bank of Victoria	1,100	1.00	3.0	8.0	13.0
Bank of Queensland	Equity	Global equity	Bank of Queensland	1,000	1.00	2.0	7.0	12.0
Bank of New Zealand	Equity	Global equity	Bank of New Zealand	900	1.00	1.0	6.0	11.0
Bank of Australia	Equity	Global equity	Bank of Australia	800	1.00	0.0	5.0	10.0
Bank of South Africa	Equity	Global equity	Bank of South Africa	700	1.00	-1.0	4.0	9.0
Bank of China	Equity	Global equity	Bank of China	600	1.00	-2.0	3.0	8.0
Bank of India	Equity	Global equity	Bank of India	500	1.00	-3.0	2.0	7.0
Bank of Japan	Equity	Global equity	Bank of Japan	400	1.00	-4.0	1.0	6.0
Bank of Korea	Equity	Global equity	Bank of Korea	300	1.00	-5.0	0.0	5.0
Bank of Taiwan	Equity	Global equity	Bank of Taiwan	200	1.00	-6.0	-1.0	4.0
Bank of Hong Kong	Equity	Global equity	Bank of Hong Kong	100	1.00	-7.0	-2.0	3.0
Bank of Singapore	Equity	Global equity	Bank of Singapore	50	1.00	-8.0	-3.0	2.0
Bank of Malaysia	Equity	Global equity	Bank of Malaysia	25	1.00	-9.0	-4.0	1.0
Bank of Indonesia	Equity	Global equity	Bank of Indonesia	10	1.00	-10.0	-5.0	0.0
Bank of Thailand	Equity	Global equity	Bank of Thailand	5	1.00	-11.0	-6.0	-1.0
Bank of Philippines	Equity	Global equity	Bank of Philippines	2	1.00	-12.0	-7.0	-2.0
Bank of Vietnam	Equity	Global equity	Bank of Vietnam	1	1.00	-13.0	-8.0	-3.0
Bank of Laos	Equity	Global equity	Bank of Laos	0.5	1.00	-14.0	-9.0	-4.0
Bank of Cambodia	Equity	Global equity	Bank of Cambodia	0.2	1.00	-15.0	-10.0	-5.0
Bank of Myanmar	Equity	Global equity	Bank of Myanmar	0.1	1.00	-16.0	-11.0	-6.0
Bank of Brunei	Equity	Global equity	Bank of Brunei	0.05	1.00	-17.0	-12.0	-7.0
Bank of Timor	Equity	Global equity	Bank of Timor	0.01	1.00	-18.0	-13.0	-8.0
Bank of East Timor	Equity	Global equity	Bank of East Timor	0.005	1.00	-19.0	-14.0	-9.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.001	1.00	-20.0	-15.0	-10.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0005	1.00	-21.0	-16.0	-11.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0001	1.00	-22.0	-17.0	-12.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00005	1.00	-23.0	-18.0	-13.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00001	1.00	-24.0	-19.0	-14.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000005	1.00	-25.0	-20.0	-15.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000001	1.00	-26.0	-21.0	-16.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000005	1.00	-27.0	-22.0	-17.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000001	1.00	-28.0	-23.0	-18.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000005	1.00	-29.0	-24.0	-19.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000001	1.00	-30.0	-25.0	-20.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000005	1.00	-31.0	-26.0	-21.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000001	1.00	-32.0	-27.0	-22.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000005	1.00	-33.0	-28.0	-23.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000001	1.00	-34.0	-29.0	-24.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000005	1.00	-35.0	-30.0	-25.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000001	1.00	-36.0	-31.0	-26.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000005	1.00	-37.0	-32.0	-27.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000001	1.00	-38.0	-33.0	-28.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000005	1.00	-39.0	-34.0	-29.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000001	1.00	-40.0	-35.0	-30.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000005	1.00	-41.0	-36.0	-31.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000001	1.00	-42.0	-37.0	-32.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000005	1.00	-43.0	-38.0	-33.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000001	1.00	-44.0	-39.0	-34.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000005	1.00	-45.0	-40.0	-35.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000001	1.00	-46.0	-41.0	-36.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000005	1.00	-47.0	-42.0	-37.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000001	1.00	-48.0	-43.0	-38.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000005	1.00	-49.0	-44.0	-39.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000001	1.00	-50.0	-45.0	-40.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000005	1.00	-51.0	-46.0	-41.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000001	1.00	-52.0	-47.0	-42.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000005	1.00	-53.0	-48.0	-43.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000001	1.00	-54.0	-49.0	-44.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000005	1.00	-55.0	-50.0	-45.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000001	1.00	-56.0	-51.0	-46.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000005	1.00	-57.0	-52.0	-47.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000001	1.00	-58.0	-53.0	-48.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000005	1.00	-59.0	-54.0	-49.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000001	1.00	-60.0	-55.0	-50.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000005	1.00	-61.0	-56.0	-51.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000001	1.00	-62.0	-57.0	-52.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000005	1.00	-63.0	-58.0	-53.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000001	1.00	-64.0	-59.0	-54.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000000005	1.00	-65.0	-60.0	-55.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000000001	1.00	-66.0	-61.0	-56.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000000005	1.00	-67.0	-62.0	-57.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000000001	1.00	-68.0	-63.0	-58.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000000005	1.00	-69.0	-64.0	-59.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000000001	1.00	-70.0	-65.0	-60.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000000000005	1.00	-71.0	-66.0	-61.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000000000001	1.00	-72.0	-67.0	-62.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000000000005	1.00	-73.0	-68.0	-63.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000000000001	1.00	-74.0	-69.0	-64.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000000000005	1.00	-75.0	-70.0	-65.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000000000001	1.00	-76.0	-71.0	-66.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000000000000005	1.00	-77.0	-72.0	-67.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000000000000001	1.00	-78.0	-73.0	-68.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000000000000005	1.00	-79.0	-74.0	-69.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000000000000001	1.00	-80.0	-75.0	-70.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000000000000005	1.00	-81.0	-76.0	-71.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000000000000001	1.00	-82.0	-77.0	-72.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000000000000000005	1.00	-83.0	-78.0	-73.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000000000000000001	1.00	-84.0	-79.0	-74.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000000000000000005	1.00	-85.0	-80.0	-75.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000000000000000001	1.00	-86.0	-81.0	-76.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000000000000000005	1.00	-87.0	-82.0	-77.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000000000000000001	1.00	-88.0	-83.0	-78.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.00000000000000000000000000000000000005	1.00	-89.0	-84.0	-79.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.00000000000000000000000000000000000001	1.00	-90.0	-85.0	-80.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.000000000000000000000000000000000000005	1.00	-91.0	-86.0	-81.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.000000000000000000000000000000000000001	1.00	-92.0	-87.0	-82.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.0000000000000000000000000000000000000005	1.00	-93.0	-88.0	-83.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.0000000000000000000000000000000000000001	1.00	-94.0	-89.0	-84.0
Bank of Tuvalu	Equity	Global equity	Bank of Tuvalu	0.005	1.00	-95.0	-90.0	-85.0
Bank of Kiribati	Equity	Global equity	Bank of Kiribati	0.001	1.00	-96.0	-91.0	-86.0
Bank of Marshall Islands	Equity	Global equity	Bank of Marshall Islands	0.0005	1.00	-97.0	-92.0	-87.0
Bank of Palau	Equity	Global equity	Bank of Palau	0.0001	1.00	-98.0	-93.0	-88.0
Bank of Micronesia	Equity	Global equity	Bank of Micronesia	0.005	1.00	-99.0	-94.0	-89.0
Bank of Nauru	Equity	Global equity	Bank of Nauru	0.001	1.00	-100.0	-95.0	-90.0

CANCER HITS 1 IN 3.

GIVE YOUR WORKFORCE A CHANCE TO FIGHT BACK.

It is a fact that one third of the people in the UK will get cancer at some point in their lives. Cancer touches the lives of every one - employer and employees alike. Join the Macmillan Nurses in the Fight. Telephone 0181 222 7706, or cut out this ad and return it to: Corporate Development Manager, Macmillan Cancer Relief, 3 Angel Walk, London W9 9HX.

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Fund Name	Asset Class	Investment Objective	Manager	Assets Under Management (£m)	NAV	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)
The Standard Property Fund Ltd - Cont.								
Standard Property Fund Ltd	Real Estate	Long-term capital growth	Standard Property Fund Ltd	1,000	1.00	10.0	15.0	20.0
Standard Property Fund Ltd	Real Estate	Long-term capital growth	Standard Property Fund Ltd	1,000	1.00	10.0	15.0	20.0
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LONDON STOCK EXCHANGE

Footsie dips but finds support at 5,000 level

MARKETS REPORT

By Philip Coggan, Markets Editor

The FTSE 100 index dipped below the 5,000 level for the first time since January yesterday as global markets continued to take a battering from President Clinton's troubles. But a rebound on Wall Street allowed blue-chip shares to rally in late trading.

Worries that Mr Clinton might be impeached, or forced into resignation, had sent the Dow Jones Industrial Average down 250 points on Thursday. With Asian markets following Wall Street down, the UK stock market was

faced with a difficult morning session.

At its worst, Footsie was 147.8 points off at 4,988.8 but there were signs that investors saw any level below 5,000 as a buying opportunity. The market bounced quite quickly, helped by indications from the S & P futures that Wall Street would rebound.

In the event, after a rather shaky opening by US stocks, the New York market rebounded on President Clinton's apology to religious leaders, which made it clear he had no plans to resign.

Footsie ended the day 18 points down at 5,118.6, although that still left the benchmark below its end-1997 level.

The small and medium-sized stocks also suffered, with the FTSE 250 index dropping 54.5 to 4,997.3 and the SmallCap, already 26 per cent down from its peak, off 13.4 to 2,068.

Bank stocks were weak once again, on the back of concerns about exposure to emerging market debt.

Two leading investment houses have moved to cut their forecasts for the UK market in the light of the recent sharp falls.

CSFB has cut its forecast for Footsie from 6,000 to 5,900 for end-1998 and from 7,100 to 6,800 for end-1999. "Having been bulls of the market throughout the year, the events of the last month

have proved a very bruising experience," admitted strategist Richard Kersley.

"Pressure on corporate earnings estimates has intensified throughout August," says Mr Kersley. "We have consequently set our top-down forecasts for earnings per share at 0.6 pence in 1998 and 0.5 pence in 1999."

But although it is cutting its forecast, CSFB's end-year target still allows for a robust recovery from here. It cites valuations as one factor, arguing that, relative to both conventional and index-linked bonds, equities are now cheaper than after the 1987 crash and during the last recession. But it adds that easier monetary

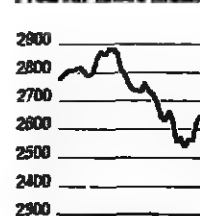
policy, in the US and the UK, holds the key to the market's recovery.

Meanwhile, HSBC has moved down from 6,000 to 5,400 for the end of this year and from 6,700 to 6,200 for the end of next.

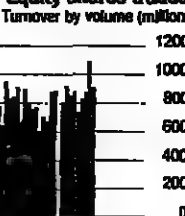
"Effectively, the global environment is going to hit the UK corporate sector more than the market had expected before. Consensus earnings estimates for next year are far too high," says chief investment strategist Peter Oppenheimer. He predicts earnings growth of just 0.3 per cent.

Volume was a respectable 930.4m shares by the 6pm count, of which 56 per cent was in non-Footsie stocks.

FTSE All-Share Index



Equity shares traded



Index and rates	Value	Change
FTSE 100	5118.6	-147.8
FTSE 250	4997.3	-54.5
FTSE All-Share	5083.6	-12.0
FTSE All-Share yield	3.30	-0.02
FT 30	3187.3	-32.6
FTSE Non-Fin Pts	20.43	-0.45
FTSE 100 Put Pts	5116.0	-14.0
10 yr Gilt yield	5.25	5.23
Long gilt/yield ratio	1.58	1.59

TRADING VOLUME IN MAJOR STOCKS

Stock	Vol.	Chg.	Vol.	Chg.	Vol.	Chg.
BP	800	+4	1,000	+10	1,200	+20
British Telecom	1,200	+10	1,500	+20	1,800	+30
British Airways	1,500	+20	1,800	+30	2,100	+40
British Petroleum	1,800	+30	2,100	+40	2,400	+50
British Steel	2,100	+40	2,400	+50	2,700	+60
British Water	2,400	+50	2,700	+60	3,000	+70
British Airways	3,000	+70	3,300	+80	3,600	+90
British Airways	3,600	+90	3,900	+100	4,200	+110
British Airways	4,200	+110	4,500	+120	4,800	+130
British Airways	4,800	+130	5,100	+140	5,400	+150
British Airways	5,400	+150	5,700	+160	6,000	+170
British Airways	6,000	+170	6,300	+180	6,600	+190
British Airways	6,600	+190	6,900	+200	7,200	+210
British Airways	7,200	+210	7,500	+220	7,800	+230
British Airways	7,800	+230	8,100	+240	8,400	+250
British Airways	8,400	+250	8,700	+260	9,000	+270
British Airways	9,000	+270	9,300	+280	9,600	+290
British Airways	9,600	+290	9,900	+300	10,200	+310
British Airways	10,200	+310	10,500	+320	10,800	+330
British Airways	10,800	+330	11,100	+340	11,400	+350
British Airways	11,400	+350	11,700	+360	12,000	+370
British Airways	12,000	+370	12,300	+380	12,600	+390
British Airways	12,600	+390	12,900	+400	13,200	+410
British Airways	13,200	+410	13,500	+420	13,800	+430
British Airways	13,800	+430	14,100	+440	14,400	+450
British Airways	14,400	+450	14,700	+460	15,000	+470
British Airways	15,000	+470	15,300	+480	15,600	+490
British Airways	15,600	+490	15,900	+500	16,200	+510
British Airways	16,200	+510	16,500	+520	16,800	+530
British Airways	16,800	+530	17,100	+540	17,400	+550
British Airways	17,400	+550	17,700	+560	18,000	+570
British Airways	18,000	+570	18,300	+580	18,600	+590
British Airways	18,600	+590	18,900	+600	19,200	+610
British Airways	19,200	+610	19,500	+620	19,800	+630
British Airways	19,800	+630	20,100	+640	20,400	+650
British Airways	20,400	+650	20,700	+660	21,000	+670
British Airways	21,000	+670	21,300	+680	21,600	+690
British Airways	21,600	+690	21,900	+700	22,200	+710
British Airways	22,200	+710	22,500	+720	22,800	+730
British Airways	22,800	+730	23,100	+740	23,400	+750
British Airways	23,400	+750	23,700	+760	24,000	+770
British Airways	24,000	+770	24,300	+780	24,600	+790
British Airways	24,600	+790	24,900	+800	25,200	+810
British Airways	25,200	+810	25,500	+820	25,800	+830
British Airways	25,800	+830	26,100	+840	26,400	+850
British Airways	26,400	+850	26,700	+860	27,000	+870
British Airways	27,000	+870	27,300	+880	27,600	+890
British Airways	27,600	+890	27,900	+900	28,200	+910
British Airways	28,200	+910	28,500	+920	28,800	+930
British Airways	28,800	+930	29,100	+940	29,400	+950
British Airways	29,400	+950	29,700	+960	30,000	+970
British Airways	30,000	+970	30,300	+980	30,600	+990
British Airways	30,600	+990	30,900	+1,000	31,200	+1,010
British Airways	31,200	+1,010	31,500	+1,020	31,800	+1,030
British Airways	31,800	+1,030	32,100	+1,040	32,400	+1,050
British Airways	32,400	+1,050	32,700	+1,060	33,000	+1,070
British Airways	33,000	+1,070	33,300	+1,080	33,600	+1,090
British Airways	33,600	+1,090	33,900	+1,100	34,200	+1,110
British Airways	34,200	+1,110	34,500	+1,120	34,800	+1,130
British Airways	34,800	+1,130	35,100	+1,140	35,400	+1,150
British Airways	35,400	+1,150	35,700	+1,160	36,000	+1,170
British Airways	36,000	+1,170	36,300	+1,180	36,600	+1,190
British Airways	36,600	+1,190	36,900	+1,200	37,200	+1,210
British Airways	37,200	+1,210	37,500	+1,220	37,800	+1,230
British Airways	37,800	+1,230	38,100	+1,240	38,400	+1,250
British Airways	38,400	+1,250	38,700	+1,260	39,000	+1,270
British Airways	39,000	+1,270	39,300	+1,280	39,600	+1,290
British Airways	39,600	+1,290	39,900	+1,300	40,200	+1,310
British Airways	40,200	+1,310	40,500	+1,320	40,800	+1,330
British Airways	40,800	+1,330	41,100	+1,340	41,400	+1,350
British Airways	41,400	+1,350	41,700	+1,360	42,000	+1,370
British Airways	42,000	+1,370	42,300	+1,380	42,600	+1,390
British Airways	42,600	+1,390	42,900	+1,400	43,200	+1,410
British Airways	43,200	+1,410	43,500	+1,420	43,800	+1,430
British Airways	43,800	+1,430	44,100	+1,440	44,400	+1,450
British Airways	44,400	+1,450	44,700	+1,460	45,000	+1,470
British Airways	45,000	+1,470	45,300	+1,480	45,600	+1,490
British Airways	45,600	+1,490	45,900	+1,500	46,200	+1,510
British Airways	46,200	+1,510	46,500	+1,520	46,800	+1,530
British Airways	46,800	+1,530	47,100	+1,540	47,400	+1,550
British Airways	47,400	+1,550	47,700	+1,560	48,000	+1,570
British Airways	48,000	+1,570	48,300	+1,580	48,600	+1,590
British Airways	48,600	+1,590	48,900	+1,600	49,200	+1,610
British Airways	49,200	+1,610	49,500	+1,620	49,800	+1,630
British Airways	49,800	+1,630	50,100	+1,640	50,400	+1,650
British Airways	50,400	+1,650	50,700	+1,660	51,000	+1,670
British Airways	51,000	+1,670	51,300	+1,680	51,600	+1,690
British Airways	51,600	+1,690	51,900	+1,700	52,200	+1,710
British Airways	52,200	+1,710	52,500	+1,720	52,800	+1,730
British Airways	52,800	+1,730	53,100	+1,740	53,400	+1,750
British Airways	53,400	+1,750	53,700	+1,760	54,000	+1,770
British Airways	54,000	+1,770	54,300	+1,780	54,600	+1,790
British Airways	54,600	+1,790	54,900	+1,800	55,200	+1,810
British Airways	55,200	+1,810	55,500	+1,820	55,800	+1,830
British Airways	55,800	+1,830	56,100	+1,840	56,400	+1,850
British Airways	56,400	+1,850	56,700	+1,860	57,000	+1,870
British Airways	57,000	+1,870	57,300	+1,880	57,600	+1,890
British Airways	57,600	+1,890	57,900	+1,900	58,200	+1,910
British Airways	58,200	+1,910	58,500	+1,920	58,800	+1,930
British Airways	58,800	+1,930	59,100	+1,940	59,400	+1,950
British Airways	59,400	+1,950	59,700	+1,960	60,000	+1,970
British Airways	60,000	+1,970	60,300	+1,980	60,600	+1,990
British Airways	60,600	+1,990	60,900	+2,000	61,200	+2,010
British Airways	61,200	+2,010	61,500	+2,020	61,800	+2,030
British Airways	61,800	+2,030	62,100	+2,040	62,400	+2,050
British Airways	62,400	+2,050	62,700	+2,060	63,000	+2,070
British Airways	63,000	+2,070	63,300	+2,080	63,600	+2,090
British Airways	63,600	+2,090	63,900	+2,100	64,200	+2,110
British Airways	64,200	+2,110	64,500	+2,120	64,800	+2,130
British Airways	64,800	+2,130	65,100	+2,140	65,400	+2,150
British Airways	65,400	+2,150	65,700	+2,160	66,000	+2,170
British Airways	66,000	+2,170	66,300	+2,180	66,600	+2,190
British Airways	66,600	+2,190	66,900	+2,200	67,200	+2,210
British Airways	67,200	+2,210	67,500	+2,220	67,800	+2,230
British Airways	67,800	+2,230	68,100	+2,240	68,400	+2,250
British Airways	68,400	+2,250	68,700	+2,260	69,000	+2,270
British Airways	69,000	+2,270	69,300	+2,280	69,600	+2,290
British Airways	69,600	+2,290	69,900	+2,300	70,200	+2,310
British Airways	70,200	+2,310	70,500	+2,320	70,800	+2,330
British Airways	70,800	+2,330	71,100	+2,340	71,400	+2,350
British Airways	71,400	+2,350	71,700	+2,360	72,000	+2,370
British Airways	72,000	+2,370	72,300	+2,380	72,600	+2,390
British Airways	72,600	+2,390	72,900	+2,400	73,200	+2,410
British Airways	73,200	+2,410	73,500	+2,420	73,800	+2,430
British Airways	73,800	+2,430	74,100	+2,440	74,400	+2,450
British Airways	74,400	+2,450	74,700	+2,460	75,000	+2,470
British Airways	75,000	+2,470	75,300	+2,480	75,600	+2,490
British Airways	75,600	+2,490	75,900	+2,500	76,200	+2,510
British Airways	76,200	+2,510	76,500	+2,520	76,800	+2,530
British Airways	76,800	+2,530	77,100	+2,540	77,400	+2,550
British Airways	77,400	+2,550	77,700	+2,560	78,000	+2,570
British Airways	78,000	+2,570	78,300	+2,580	78,600	+2,590
British Airways	78,600	+2,590	78,900	+2,600	79,200	+2,610
British Airways	79,200	+2,610	79,500	+2,620	79,800	+2,630
British Airways	79,800	+2,630	80,100	+2,640	80,400	+2,650
British Airways	80,400	+2,650	80,700	+2,660	81,000	+2,670
British Airways	81,000	+2,670	81,300	+2,680	81,600	+2,690
British Airways	81,600	+2,690	81,900	+2,700	82,200	+2,710
British Airways	82,200	+2,710	82,500	+2,720	82,800	+2,730
British Airways	82,800	+2,730	83,100	+2,740	83,400	+2,750
British Airways	83,400	+2,750	83,700	+2,760	84,000	+2,770
British Airways	84,000	+2,770	84,300	+2,780	84,600	+2,790
British Airways	84,600	+2,790	84,900	+2,800	85,200	+2,810
British Airways	85,200	+2,810	85,500	+2,820	85,800	+2,830
British Airways	85,800	+2,830	86,100	+2,840	86,400	+2,850
British Airways	86,400	+2,850	86,700	+2,860	87,000	+2,870
British Airways	87,000	+2,870	87,300	+2,880	87,600	+2,890
British Airways	87,600	+2,890	87,900	+2,900	88,200	+2,910
British Airways	88,200	+2,910	88,500	+2,920	88,800	+2,930
British Airways	88,800	+2,930	89,100	+2,940	89,400	+2,950
British Airways	89,400	+2,950	89,700	+2,960	90,000	+2,970
British Airways	90,000	+2,970	90,300	+2,980	90,600	+2,990
British Airways	90,600	+2,990	90,900	+3,000	91,200	+3,010
British Airways	91,200	+3,010	91,500	+3,020	91,800	+3,030
British Airways	91,800	+3,030	92,100	+3,040	92,400	+3,050
British Airways	92,400	+3,050	92,700	+3,060	93,000	+3,070
British Airways	93,000	+3,070	93,300	+3,080	93,600	+3,090
British Airways	93,600	+3,090	93,900	+3,100	94,200	+3,110
British Airways	94,200	+3,110	94,500	+3,120	94,800	+3,130
British Airways	94,800	+3,130	95,100	+3,140	95,400	+3,150
British Airways	95,400	+3,150	95,700	+3,160	96,000	+3,170
British Airways	96,000	+3,170	96,300	+3,180	96,600	+3,190
British Airways	96,600	+3,190	96,900	+3,200	97,200	+3,210
British Airways	97,200	+3,210	97,500	+3,220	97,800	+3,230
British Airways	97,800	+3,230	98,100	+3,240	98,400	+3,250
British Airways	98,400	+3,250	98,700	+3,260	99,000	+3,270
British Airways	99,000	+3,270	99,300	+3,280	99,600	+3,290
British Airways	99,600	+3,290	99,900	+3,300	100,200	+3,310
British Airways	100,200	+3,310	100,500	+3,320	100,800	+3,330
British Airways	100,800	+3,330	101,100	+3,340	101,400	+3,350
British Airways	101,400	+3,350	101,700	+3,360	102,000	+3,370
British Airways	102,000	+3,370	102,300	+3,380	102,600	

Tech shares spark rally for Dow

US equities made a mixed start but were moving ahead by the end of the morning, thanks mainly to the strength of technology stocks. Oracle and Intel, writes John Lobato in New York.

Attention was also focused on the unfolding events surrounding the release of the allegations by independent counsel Kenneth Starr against President Clinton. The Starr report was not the only source of speculation. A rumour that Lehman Brothers, the investment bank, was in trouble due to global market turmoil was strongly denied by the group. The stock tumbled \$5½ or more than 16 per cent to \$23½.

The Dow Jones Industrial Average was 37.33 higher by early afternoon at 7,652.87, while the broader Standard & Poor's 500 gained 6.92 at 987.11.

Technology shares provided the sharpest gains. A rally in computer-related shares was sparked by Oracle's earnings report late on Thursday and Intel's report of favourable revenue growth for its coming quarter.

Oracle shares were more than 14 per cent higher at \$35½, while Intel rose 9½ to \$25½.

São Paulo advances on interest rate hopes

Shares in SAO PAULO overcame further early losses to trade 4.6 per cent higher at midsession on optimism a rise in interest rates would staunch dollar outflows that were draining reserves and putting pressure on the real.

The Bovespa index jumped 221 to 4,981, helping to erase some of Thursday's 15.8 per cent plunge.

The central bank raised its basic lending rate to 48.75 per cent late on Thursday,

up from 28.75 per cent and less than a week after it raised rates from 18 per cent. Stocks were also boosted by speculation the government could be considering more measures or even aid from the International Monetary Fund in a bid to stave off a financial crisis and protect the real from a devaluation.

MEXICO CITY rallied after Thursday's two-and-a-half year lows and the IPC index had edged 8.7 higher by mid-session to 2,884.5.

Resources dominated the upside charts, notably golds with Placer Dome adding 55 cents at C\$18.85 and TVX and Kinross improving 45 cents to C\$40.35 and 30 cents to C\$41.35. Banks remained dull. Royal Bank of Canada lost 35 cents at C\$28.25 and Bank of Nova Scotia 50 cents to C\$26.50.

TORONTO moved narrowly with brokers citing the uncertain trend on Wall Street for the lack of overall direction. The 300 composite index was off 15.37 at 5,781.40 at noon.

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Paris finishes lower after volatile trading

Shares in PARIS ended a volatile session with the CAC 40 index down 11.01 at 3,578.34 after trading within a range of 116 points. Turnover was again heavy at FF14.4bn.

Banks stayed active but at the bottom of the perfor-

FRANKFURT ended a roller-coaster day slightly higher, helped by a firmer Wall Street although concerns about a Clinton impeachment and the weaker dollar kept the mood uncertain. The Xetra Dax index closed with a gain of 10.60 at 4,754.65.

Bank shares continued to underperform, with Dresdner Bank down DM1.95 at DM68.50 and Deutsche Bank DM2.10 at DM100. Deutsche Telekom, by contrast, put on DM3.18 to DM53.98.

Engineering group Man

ended up DM1.1 at DM61.5, benefiting from an upgrade

from BNP Paribas.

ZURICH was lifted from its

disappointing interim

results statement.

Oil's pushed higher on a

firm day for oil prices. Total

added FF35 at FF638 and

Elf Aquitaine gained FF30

at FF650. STMicroelectron-

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former, advancing FF17 or

5.3 per cent to FF336.

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COMPANIES & FINANCE

Schroders makes £25m Asian provision

By George Graham, Banking Editor

Schroders, the UK-owned independent investment bank, made a further net provision of £25m to cover its exposure to Asian bonds and loans in the six months to June 30, leaving pre-tax profits in the period 8 per cent higher at £141m.

The bank recorded strong first-half revenues, with a buoyant corporate finance division raising investment

banking profits 45 per cent to £85.3m before tax and provisions, while asset management profits rose 12 per cent to £81.1m.

But Schroders, which set aside £28.9m at the end of last year to cover Asian debt exposures and a further £2.3m for the reorganisation of its Asian operations, made a provision of £35m in the first half of this year, but wrote back £10m from its general reserves.

The provisions cover a

gross exposure of £59.1m to debtors and trading partners in Indonesia, South Korea and Thailand, and another £316m to other Asian countries, principally Hong Kong, Singapore and Malaysia.

Peter Sedgwick, deputy chairman, said that Schroders' exposure to Russia and Latin America was, by contrast, "negligible", totalling less than £1m.

Securities operations performed "well ahead of budget", while UK corporate

finance activities were strong, with a good performance in mergers and acquisitions advisory work.

Mr Sedgwick said: "In current market circumstances, it may be a fact of life that some of the issues planned may not in the event be able to be done."

The asset management division increased funds under management from £106.9bn at the end of 1997 to £116.7bn, with £3bn of the increase coming from

net new mandates. Schroders has been moving to a more defensive investment stance, reducing exposure to some equity markets and focusing on companies whose valuations look less stretched.

An interim dividend of 5p compares with 4.7p last year, on earnings per share of 34.1p (34.2p).

Comment

● Owing Schroders shares is not a pastime for the

fainthearted. With almost 50 per cent still family-owned, they are probably the most illiquid and volatile in the FTSE 100 index. More Asian provisions are likely in the second half, and market conditions will not help either fund management or investment banking. With yesterday's 41p drop to 99p, the shares have halved from their 1996 high of £20.35. No one still holding them has any reason to blink now.

British Regional shares tumble after warning

By Andrew Edgecliffe-Johnson

Shares in British Regional Airlines plunged yesterday to a third of the price at which they were launched on the stock market three months ago, after the company warned that its business had deteriorated significantly in July and August.

In its first interim report, it blamed the weakening economic climate, bad weather and the football World Cup for lower than expected passenger yields (revenues per passenger).

Sir Michael Bishop, the British Midland chairman who also heads British Regional, said: "I have been in the airline industry for nearly 30 years. I have seen these conditions come around at least three times before, and every time a wide range of people over-react to it."

The shares, which were placed at 150p in June, dropped from 108p to 32p. Sir Michael, who sold £11.5m (£18m) worth of shares at the flotation and gave a 10 per cent stake to British Regional staff, still owns almost 30 per cent.

The £100m flotation had been seen by some as a precursor to a listing for British Midland, but Sir Michael reiterated that he had no such plans for the larger airline. Brokers cut forecasts for British Regional's 1998 profits from £5.8m to £4.8m after the company's interim results were published.

In the six months to June, yields per available seat fell 13 per cent, and the group dropped from a £579,000 profit to a £487,000 loss before tax on unchanged turnover of £90.2m.

The first half loss had already been signalled, but the continuation of the deteriorating yield trend in July and August came as a surprise.

Malcolm Naylor, corporate development director, said that the group would increase fares by 3 per cent on average in response to weaker demand from business passengers. He said the airline had suffered from bad weather in the Highlands and Islands of Scotland, and a slump in demand during the World Cup, which was not prevented by its "World Cup widows" promotion.

Race to buy the PolyGram feature

By Alice Rawsthorn

EMI, Carlton Communications, Canal Plus and several US companies are racing to finalise formal bids for the film division of PolyGram, the Dutch entertainment group, in time for next Friday's deadline.

PolyGram Filmed Entertainment (PFE) is the biggest European film producer and distributor. It has backed such box-office hits as *Four Weddings and A Funeral* and *Lock Stock & Two Smoking Barrels*, and owns the rights to classic television series, including *Thunderbirds* and *The Prisoner*.

The company, which is still loss-making after absorbing £1.2bn (£720m) of investment, went up for sale with a tentative price tag of \$750m this summer after Seagram, the Canadian entertainment concern, mounted a \$10.4bn takeover for the PolyGram group.

EMI, the UK music group, is understood to be close to completing its bid for PFE. However, Sir Colin Southgate, chairman, may face a battle at next week's board meeting to persuade the seven non-executive directors (who outnumber the four executive directors) to endorse his offer.

Carlton, the UK media concern, is also intent on bidding. Michael Green, Carlton's chairman, is expected to offer less than \$750m for PFE, because he is principally interested in acquiring its 1,500-strong feature film library, rather than its production interests.

Canal Plus, the French television group, is also likely to bid less than \$750m, and might find it difficult to finance a higher offer. Canal Plus is keen to buy PFE's library to provide films for its pay-TV channels, thereby strengthening its hand in negotiations with Hollywood.

Artisan Entertainment, the fast-growing US film group, also plans to present a formal offer by Friday. Its bid will be financed by Bain, the consulting group which is Artisan's majority shareholder.

There is a possibility of a wild-card bid from Kirk Kerkorian, the US corporate raider who recently put his MGM/UA studio up for sale. Mr Kerkorian is continuing with due diligence on PFE, but even his closest aides claim to be uncertain whether he will bid.

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Slough Estates makes £264m bid for Bilton

By Jonathan Guthrie

Slough Estates, the UK's biggest industrial property company, has launched a £264m (£436m) hostile bid for Bilton, another property company with a concentration on London and the southeast.

Sir Nigel Mobbs, executive chairman of Slough, said it had made the bid because: "Bilton's portfolio is heavily industrial and thus hugely complementary to ours."

Bilton shares in which have underperformed the sector by 48 per cent over the last five years.

Bilton yesterday urged shareholders to reject the offer.

The offer has also been triggered by what Slough described as "dissent" within the Bilton family. Some family members are

the beneficiaries of a 34.4 per cent blocking stake in Bilton owned by Glenhazel, an investment trust.

John Rowe, a Jersey-based adviser to Derek Bilton, the son of company founder Percy Bilton, who died in 1983, has brought a High Court action to remove three trustees of a family trust understood to control Glenhazel. Mr Bilton is thought to be unhappy with the performance of the property company that bears his name.

The trustees under attack are Ronald Groom, joint managing director of Bilton, Priya Ponnaiyah, the Bilton company secretary and Derek's brother Donald. The other trustees are Hazel Lyon Farrer, Derek's sister, and Mr Rowe himself.

Slough hopes that the High Court action, which

began last year, will be resolved rapidly as a result of its bid. Winning the support of Glenhazel is vital to Slough's aim to acquire all the shares of Bilton.

Mr Groom is understood to have opposed previous bid approaches. A controversial figure in the City, he received a pay-off of over £1m when he resigned as chief executive of Bilton in 1992. But he returned to executive duties a year later, and in 1996 was paid £511,000, four times more than fellow joint managing director Gerry Hirst.

Mr Groom is a director of Glenhazel, and of the Percy Bilton Charity, which owns 5.3 per cent of Bilton, alongside Bilton family members. Shares in Bilton rose 81p, or 38 per cent, yesterday to 296p. Slough eased 25p to 302p.

Television Corp aims to increase overseas business

By Susanna Doyle

Television Corporation, the production facilities and programme provider, is looking at possible joint ventures and acquisitions to increase its international business.

Chris Rowlands, chief executive, who yesterday announced interim pre-tax profits up 11 per cent at £1.69m, said the market was highly fragmented and smaller operations were being squeezed. He was considering ventures in continental Europe and the US.

"Broadcasters are going to want to spend as much money as possible on buying programme rights," he said. "They will form longer-term relationships with a smaller number of providers at lower prices."

Mr Rowlands said the tighter market, combined with the strength of sterling and troubled international markets, meant Television Corp was looking at a stream of potential transactions.

The half-year performance for Television Corporation was underpinned by strong growth in its programme production business. Post-production business was slower than expected because of increased competition, and the results were



Looking into joint ventures and acquisitions: Chris Rowlands (left) and Terry Bates, chairman

below City forecasts of £2m. The shares closed unchanged at 190p.

Turnover in the Sunset & Vine production business for the six months to June 30 rose 68 per cent to £4.94m, with operating profit 57 per cent higher at £700,000.

In facilities - which covers post-production, transmission and outside broadcasting - turnover fell 5.5 per cent to £10.5m, with operating profit almost flat at £1.36m.

Group turnover rose 10 per cent to £15.4m. Earnings per share fell from 5.6p to 4.6p, after the tax bill rose from £116,000 to £432,000. The interim dividend is 1.4p (1.25p).

ST Alex Brown, the group's broker, is forecasting full-year pre-tax profits of £4m (£3.63m), after an exceptional charge of £300,000 for the write-down of fixed assets. That puts the shares on a prospective multiple of 16.5.

Football fever rages as Enic offer is rejected

By Patrick Haveron

Takeover fever continued to rage in the football sector yesterday as it emerged that an unofficial £20m offer for Tottenham Hotspur from Enic, the leisure group with extensive interests in European football, had been rejected by the Premier League club.

Although talks between Enic and Alan Sugar, Tottenham's chairman and the owner of 40 per cent of its shares, are likely to continue, advisers said the sides were divided over price.

In the rush to buy top

media groups over a period of time, which includes the possibility of them subscribing to equity," said Chris Akers, chief executive.

Granada is regarded as the favourite to do a deal with Leeds, although it may fall short of an outright takeover. A television joint venture is regarded as a more likely first step.

Leeds' managing director, is believed to have met senior Granada executives on Thursday.

Newcastle United shares enjoyed the biggest rise of the day, soaring 18p to 89p amid speculation that Tele-

west, the cable group, might purchase the north-east club. Both sides privately denied rumours of a deal, though a link-up between them to run a local Newcastle United TV channel was a possibility.

Aston Villa shares rose 20p to 69p though the management rejected reports it was in talks with Granada about a possible takeover of the club. Again, a television deal between the two was seen as a possible outcome of negotiations.

Finally, non-quoted Liverpool said there were no plans by its owner, David Moores, to sell the club.

RESULTS

Company	Turnover (£m)	Profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding (p)	Total for year	Total last year
Black (ABC)	5 mths to June 30	2.25 (2.1)	0.299 (0.203)	12.4 (8.1)	4.25	Oct 20	4.25	14
SRI Reg Air Lines	5 mths to June 30	90.2 (80.3)	0.487 (0.579)	11 (11)	-	-	-	-
Dean Corporation	5 mths to June 30	19.1 (18.2)	0.954 (0.739)	11 (11.3)	0.35	Oct 30	0.3	0.7
John Mansfield	6 mths to June 30	6 (6.4)	0.048 (0.13)	0.021 (0.15)	0.15	-	-	-
Lionheart	6 mths to June 30	10.84 (8.64)	0.31 (0.385)	0.34 (0.42)	0.1	Nov 6	0.1	0.4
Marble Works	Ytd June 30	4.42 (4.92)	3.65 (3.88)	18.85 (23.2)	1.75	Nov 9	1.5	2.25
Provent	Yr to June 25	52.5 (52.1)	2.51 (2.17)	11.01 (9.8)	3.25	Dec 11	3	4.5
Read Executive	6 mths to June 30	117.1 (107.4)	2.35 (2.58)	10.1 (9.5)	1.8	Oct 18	1.5	3
Schroders	6 mths to June 30	605.2 (628.9)	141.4 (131)	54.3 (54.2)	9	Oct 29	4.77	15.33
Serviceair	6 mths to June 30	86 (77)	0.957 (0.102)	1.9 (0.11)	1.75	Nov 25	1.75	5.3
Southampton Leisure	Yr to May 31	14.8 (8.28)	0.0024 (0.091)	2.971 (5.8)	1	Oct 19	1	1
Television Corp	6 mths to June 30	15.4 (14)	1.08 (1.32)	4.8 (5.5)	1.4	Oct 15	1.35	3.75
Wood (Arthur & Son)	6 mths to June 30	19.1 (2.35)	0.07 (0.132)	2.62 (5.03)	1	Oct 28	2	7

Investment Trusts

Company	Turnover (£m)	Profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding (p)	Total for year	Total last year
Group Trust	6 mths to June 30	63.1 (1)	0.822 (0.548)	1.1 (1)	0.5	Oct 23	0.33	1.68

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. Ytd increased capital. A/N: stock. *Comparative pro forma. Total income. *Operating income. **After tax for scrip issue. *Comparative for 14 months.

NEWS DIGEST

ALCOHOLIC BEVERAGES

Highland and Rémy in distribution link-up

Highland Distillers, maker of The Famous Grouse scotch whisky, and Rémy Cointreau, the French drinks group, are pooling their distribution operations in the US, UK and Ireland. Rémy will distribute Grouse in Ireland and the US, where it already distributes The Macallan, Highland's leading malt whisky. Highland will handle Rémy Martin cognac, Cointreau and the Krug, Charles Heidsieck and Piper-Heidsieck champagnes in the UK, taking over from a Rémy subsidiary.

The two groups are linked by cross-shareholdings and Rémy already distributes Highland products in Asia and much of Europe. The new arrangements are the latest in a series of steps taken to strengthen global distribution following the merger last year of Guinness and Grand Metropolitan to form Diageo, the world's largest drinks group.

In August, Rémy linked up with Bacardi-Martini and William Grant to form Triados, a new French distributor. Distribution of Grouse is currently handled in the US and Ireland by Diageo under an agreement which will end on February 1. Diageo said yesterday it was reviewing its brand portfolio worldwide with the aim of focusing on Johnnie Walker and J&B, the world's two most popular scotches. John William

RETAILERS

Woolworths go out-of-town

Woolworths, the high-street household goods retailer, is to develop out-of-town stores. The store chain, part of the Kingfisher retail group, yesterday confirmed plans to open a 70,000 sq ft superstore outside Edinburgh next year. The store will be the first in a series of experiments for Woolworths as it seeks growth outside town centres. "It is no secret that they are looking for new space and new sites", Kingfisher said.

Kingfisher added that Woolworths would also experiment with home shopping and other innovations such as computerised ordering in its stores to enhance efficiency. Kingfisher shares fell 20p yesterday to 498p. Michael Peel

ENGINEERING

Cookson \$14.8m US expansion

Cookson Group, the materials technology concern, has acquired Acol Corporation, a US-based manufacturer of specialty cleaning systems for the electronics industry, for \$14.8m (£8.9m) cash. For the year ended June 30, Acol made operating profits of \$2.7m on sales of \$5.9m. Cookson shares yesterday rose 1p to 127½p.

FINANCIAL SERVICES

SEC to sell unit to buy-out

SEC Group is to clear the decks for a new strategy concentrating on the provision of independent financial advice by selling Securised Endowment Contracts, a subsidiary trading endowment policies, to a management buy-out for about £6.5m. Rupert Robson, the group's new chief executive, said SEC aimed to create a distinctive brand for financial advice, built on the acquisitions of IFA Network in 1996 and of TaxGuard, a tax advisory service, this year. SEC also said it expected to report exceptional costs of about £2m at the year end, to cover provisions for mis-sold pensions and a fine of £250,000 from the Personal Investment Authority. George Graham

HEALTHCARE

LIG buys out Thal venture for £7m

London International Group, the condom and rubber-glove maker has bought the 40 per cent minority interests in London Royal, its Thal condom manufacturing joint venture, for £7m cash. The stakes were owned by Royal Industries (Thailand) and Aft Singh Raghava. LIG said its 60 per cent share in London Royal produced consolidated pre-tax profits of £2.9m and had net assets of £2.7m in the year to March 31.

Rio Tinto plc

NOTICE

To holders of Warrants to Bear

PAYMENT OF DIVIDENDS

ORDINARY SHARES OF 5p EACH

NOTICE IS HEREBY GIVEN THAT an

interim dividend of 9 pence per share has

been declared in respect of the year

ending 31 December 1998.

Payment of the dividend will be made

on 19 October 1998 after

presentation of Coupon No. 71 at any of

the offices below.

PAYMENT OFFICES:

Rio Tinto plc

(Transfer Office)

Crest Registrars Limited

25 Abchurch Lane, London EC4N 3DF

Gérard de Bange

2 Montparnasse, Paris 6

Banque Paribas Lambert S.A.

25 Avenue Marceau

1000 Brussels, Belgium

Banque Internationale de Luxembourg S.A.

20 Blvd. J. F. Kennedy, L-1851

Luxembourg

Union Bank of Switzerland

Bahnhofstrasse 45

CH-8001, Zurich, Switzerland

Deutsche Bank AG

Postfach 10 15 59

D-60021 Frankfurt, Germany

Ordinary Shares of 5p each

The dividend will be paid as a foreign income dividend (FID). For shareholders

resident in the UK a FID is treated as having suffered income tax at the rate of

20%. The dividend income is not subject to UK residents and non UK residents

trading. Coupons, which must be held on special forms obtainable from

14 September 1998 at any of the above offices, may be deposited after 11 October

1998. Coupons presented for payment in the United Kingdom must be left FIVE

CLEAR DAYS for transmission.

Shareholders should note that under the Company's Articles of Association

provision is made for the forfeiture of the above dividends if not claimed within 15

years from the date of declaration.

Re-use of Warrants and Issues of Talons - Ordinary Shares

Holders of share warrants to bearer who have not yet presented their old warrants

and Talons B in order to obtain new warrants in the denominations of 250 or 500

Ordinary Shares, with Talon C and Coupons Nos. 1 to 100 should promptly do so.

For further information please contact Crest Registrars Limited, 25 Abchurch Lane,

London EC4N 3DF, telephone 017 539 5299 or Facsimile 020 425021.

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COMPANIES & FINANCE

WALL STREET AMEXCO SHARES RISE WHILE RUMOURS CONTINUE TO DEPRESS LEHMAN'S PRICE

Lehman moves to reassure market

By Richard Tomkins in New York

Shares in American Express and Lehman Brothers moved in opposite directions yesterday as the two companies sought to calm jittery about their exposure to the effects of global financial turmoil.

American Express saw its shares jump 3.5%, or 5 percent, to \$74 in early afternoon trading as Harvey Golub, chairman and chief executive, told staff that it

had not seen any need to join other big financial institutions in issuing a third-quarter profits warning. But Lehman Brothers' shares fell 5.5%, or 15 percent, to \$32 in spite of the bank's vehement denial that it faced financial difficulties.

Lehman said rumours appeared to have been sparked by a report in a foreign exchange newsletter suggesting that an unnamed investment bank would be filing for protection from its

creditors under chapter 11 of the US bankruptcy code. The report became associated with unsubstantiated rumours that Lehman was facing problems with counterparty exposure in certain derivatives deals, or that certain banks had cut off their credit lines.

Lehman does not normally comment on rumours, but yesterday made an exception to emphasise that the speculation was "entirely baseless and irresponsible".

It pointed out that last week it announced it would earn about \$151m in its third quarter to August 31, down from \$197m the year before. "We are not changing that estimate," it said.

At American Express, Mr Golub and Kenneth Chenault, chief operating officer, sent a memo to all staff commenting on recent declines in the company's stock price and statements by other financial groups about losses they had incurred.

"We are not immune from the effects of the current economic environment; nevertheless, the impact on American Express has been relatively modest," Mr Golub and Mr Chenault said.

American Express had not joined other companies in issuing an announcement about credit or trading losses affecting their third-quarter results, they said, "because there have been no material developments for us to report".

Split roles aim to drive Ford into 21st century

The only surprise about Ford's management announcement was the early departure of Alex Trotman, writes Nikki Tait

Speculation over the management succession at Ford, the second largest of the big three US car and truck manufacturers, has run hot for months. Yesterday, Alex Trotman, the outgoing chairman and chief executive, admitted the issue had occupied directors for the best part of a year.

But the decision, made by the Ford board on Wednesday, turns out to be much as anticipated. The chairman and chief executive positions will be split - with Jacques Nasser, head of the automotive operations, becoming chief executive, and William Clay Ford Jr, already a director and chairman of the finance committee, becoming chairman.

The only surprising note is that Mr Trotman, 65, will retire at the end of 1998; he had agreed to a board request to stay on until 1 January 2000.

The reason given for the earlier handover is Ford's recent performance, and the pace at which it has implemented an ambitious cost-cutting programme.

When the Ford 2000 initiative was introduced in 1994, the carmaker was "not

exactly hitting on all cylinders", in Mr Trotman's words. In the second quarter of this year, helped by a buoyant if competitive domestic market and the benefits of those cost savings, it posted earnings of \$2.4bn - the ninth successive year-on-year quarterly profit increase. About \$1.3bn of costs were taken out in the first half of 1998 alone.

But if the handover is being made at a time of strength, there is still the question of how the split in the roles will work. Mr Trotman claimed yesterday that the decision to divide the responsibilities had been made in the light of the personalities and situation involved rather than any ideological view.

In terms of the practical division of responsibilities, Ford's comment was that "the leadership of the board is under the chairman and the leadership of the company is under the CEO". Nevertheless, the two men will occupy neighbouring offices, and Mr Nasser was quick to stress his desire to build a common team.

The two start from very different backgrounds. Mr Ford, 41, is steeped in Ford

tradition and recalls talking company issues round the dinner-table. A graduate of Princeton University and with a master's degree in business from Massachusetts Institute of Technology, he had been working his way up the company until the mid-1990s. Since then, he has continued to chair the board's finance committee - he has been on the board since 1988 - and manage the family interests. (The Ford family retains about 40 percent in the company).

Locally, he has also been prominent as the vice-chairman of the Detroit Lions football club - an involvement passed down from his father, who owns the club, and which he expects to continue.

Mr Nasser, on the other hand, is an aggressive Lebanese-born Australian, who has lost little of his distinctive "down under" twang. He joined the company as a financial analyst in Melbourne in 1968, and went on to work in many of the global operations. He became president of Ford Australia in 1990, and of Ford Europe in 1993. He also recently headed product development, launching the



Hitting the road: Alex Trotman leaves at the end of the year AP

likes of the popular bubble-shaped Ka car in Europe.

But it is Mr Nasser's success with the Ford 2000 initiative - and the speed of the cost-cutting programme - which has propelled him into the chief executive's seat. Increasingly, Ford has moved towards production standards set by the Japanese manufacturers, and left

General Motors standing. In Mr Trotman's words, his successor has "come up like a rocket".

Asked yesterday what he saw for Ford in five years' time, the 50-year-old executive went back to the Ford 2000 principles. "Change is forever in our bloodstream," he said - a neat summary of yesterday's developments.

BTM plans securities alliance

By Gillian Trill in Tokyo

The Bank of Tokyo-Mitsubishi, Japan's largest, plans an alliance in the securities business with three other large financial companies in the Mitsubishi "keiretsu", or business family.

BTM and Mitsubishi Trust Bank, Meiji Life Insurance, and Tokio Fire and Marine will set up a joint mutual fund company and a possible future investment banking group.

The alliance, the first in the securities business between the four, illustrates how the competitive pressures under Japan's Big Bang financial deregulation are prompting some financial companies to strengthen keiretsu ties.

It also highlights the pressures on BTM following the decision by Nikko Securities this year to forge an alliance with Travelers, the US financial group. Nikko had traditionally been allied with BTM and most Japanese bankers had assumed BTM would seek to develop a securities business with its ally.

BTM has been looking at alternative strategies to develop its own securities business, including a joint venture with foreign or domestic partners.

Analysts yesterday said that the new Mitsubishi alliance remained fairly limited in scope. The joint venture, capitalised at ¥60m (\$50m), will evaluate investment trusts sold in Japan. The four companies will also jointly develop business systems to handle defined-contribution pension plans along the lines of the US 401K scheme. Though these are currently banned in Japan, they are likely to be introduced under Big Bang.

The companies would discuss forming a joint securities company to compete with US and European rivals, BTM said.

Thyssen Krupp terms agreed

By Peter Norman in Bonn

Thyssen Krupp, the German steel and engineering group being created through the merger of the two industrial giants, yesterday agreed that the new entity should be made up of two-thirds Thyssen and one-third Krupp.

With the announcement of stock splits and share conversion terms, the companies supplied the last details for an agreed merger that began with an aborted hostile takeover of Thyssen by Krupp in March last year.

The group will have annual sales of DM70bn (\$41.4bn) and employ about 186,000.

Thyssen shareholders will receive 10 Thyssen Krupp shares for every DM50 Thyssen share held. Reflecting differences in the valuation of the two companies' shares, Krupp shareholders will receive 7.65 Thyssen Krupp shares for every DM50 Krupp share held, plus cash of DM0.03.

Analysis said the conversion terms were in line with expectations and reflected the average share prices of

the two companies in recent months. If, as expected, the merger terms are approved by shareholders' meetings in November and December, the share conversion and listing of Thyssen Krupp shares will follow at the beginning of March.

The big shareholders controlling Krupp will be in a strong position in the new group. The Krupp Foundation, which holds 50.24 percent of the Essen-based group, will have 18.75 percent of the merged entity; Krupp's second biggest shareholder, will have 7.51 percent.

The two investors normally vote as a block and, with 24.26 percent of Thyssen Krupp, will in effect have a veto over key decisions in the new group, although their joint shareholding is less than a formal "blocking minority" of 25 percent.

Other big shareholders will be Commerzbank and the Allianz insurance group, with 6.99 percent through a joint holding company.

See last

Travelers merger remains on track

By Richard Tomkins

Jamie Dimon, co-chairman and chief executive of Salomon Smith Barney, a Travelers subsidiary, yesterday said Travelers and Citicorp would press ahead with their merger in spite of the turmoil in financial markets.

Citicorp's stock has been trading at a substantial discount to the value of the Travelers stock that Citicorp shareholders would receive if the deal went ahead - indicating a belief in the market that the deal will not happen.

But Mr Dimon told staff he had spoken to Sandy Weill, chairman and chief executive of Travelers, and John Reed, chairman and chief executive of Citicorp, and they were "committed to the Citicorp merger".

This week, two smaller deals fell victim to the stock market decline.

Late on Thursday, Venator, the US sports shoe retailer formerly known as Woolworth, said it would not acquire Sports Authority, another sports shoe retailer, in a \$680m all-stock deal.

On Tuesday, Equity Inns and RFS Hotel Investors called off their planned merger when Equity Inns' stock price fell below the minimum level agreed when the deal was done.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, London, and Standard & Poor's, New York. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL INDICES									
Figures in parentheses show number of issues of each									
Index	1998	1997	1996	1995	1994	1993	1992	1991	1990
Australia (72)	175.15	175.15	175.15	175.15	175.15	175.15	175.15	175.15	175.15
Austria (22)	182.28	182.28	182.28	182.28	182.28	182.28	182.28	182.28	182.28
Belgium (22)	287.73	287.73	287.73	287.73	287.73	287.73	287.73	287.73	287.73
Brussels (22)	102.88	102.88	102.88	102.88	102.88	102.88	102.88	102.88	102.88
Canada (119)	181.30	181.30	181.30	181.30	181.30	181.30	181.30	181.30	181.30
Denmark (24)	175.51	175.51	175.51	175.51	175.51	175.51	175.51	175.51	175.51
France (20)	114.88	114.88	114.88	114.88	114.88	114.88	114.88	114.88	114.88
Germany (55)	294.10	294.10	294.10	294.10	294.10	294.10	294.10	294.10	294.10
Greece (37)	262.63	262.63	262.63	262.63	262.63	262.63	262.63	262.63	262.63
Hong Kong (28)	254.94	254.94	254.94	254.94	254.94	254.94	254.94	254.94	254.94
India (28)	233.14	233.14	233.14	233.14	233.14	233.14	233.14	233.14	233.14
Indonesia (28)	24.85	24.85	24.85	24.85	24.85	24.85	24.85	24.85	24.85
Ireland (18)	222.11	222.11	222.11	222.11	222.11	222.11	222.11	222.11	222.11
Italy (54)	143.77	143.77	143.77	143.77	143.77	143.77	143.77	143.77	143.77
Japan (48)	175.64	175.64	175.64	175.64	175.64	175.64	175.64	175.64	175.64
Malaysia (108)	108.11	108.11	108.11	108.11	108.11	108.11	108.11	108.11	108.11
Mexico (29)	787.15	787.15	787.15	787.15	787.15	787.15	787.15	787.15	787.15
Netherlands (21)	455.21	455.21	455.21	455.21	455.21	455.21	455.21	455.21	455.21
New Zealand (28)	114.24	114.24	114.24	114.24	114.24	114.24	114.24	114.24	114.24
Norway (37)	225.35	225.35	225.35	225.35	225.35	225.35	225.35	225.35	225.35
Philippines (25)	43.09	43.09	43.09	43.09	43.09	43.09	43.09	43.09	43.09
Portugal (18)	246.88	246.88	246.88	246.88	246.88	246.88	246.88	246.88	246.88
Singapore (41)	110.28	110.28	110.28	110.28	110.28	110.28	110.28	110.28	110.28
South Africa (28)	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53	155.53
Spain (31)	315.30	315.30	315.30	315.30	315.30	315.30	315.30	315.30	315.30
Sweden (49)	477.81	477.81	477.81	477.81	477.81	477.81	477.81	477.81	477.81
Switzerland (28)	375.53	375.53	375.53	375.53	375.53	375.53	375.53	375.53	375.53
Taiwan (28)	3.23	3.23	3.23	3.23	3.23	3.23	3.23	3.23	3.23
United Kingdom (210)	336.96	336.96	336.96	336.96	336.96	336.96	336.96	336.96	336.96
USA (522)	393.06	393.06	393.06	393.06	393.06	393.06	393.06	393.06	393.06
Europe (757)	355.77	355.77	355.77	355.77	355.77	355.77	355.77	355.77	355.77
Europe (748)	315.51	315.51	315.51	315.51	315.51	315.51	315.51	315.51	315.51
Europe (731)	32.58	32.58	32.58	32.58	32.58	32.58	32.58	32.58	32.58
Europe (714)	338.73	338.73	338.73	338.73	338.73	338.73	338.73	338.73	338.73
Europe (698)	30.84	30.84	30.84	30.84	30.84	30.84	30.84	30.84	30.84
Europe (681)	185.94	185.94	185.94	185.94	185.94	185.94	185.94	185.94	185.94
Europe (664)	394.63	394.63	394.63	394.63	394.63	394.63	394.63	394.63	394.63
Europe (647)	289.80	289.80	289.80	289.80	289.80	289.80	289.80	289.80	289.80
Europe (630)	17.08	17.08	17.08	17.08	17.08	17.08	17.08	17.08	17.08
Europe (613)	75.12	75.12	75.12	75.12	75.12	75.12	75.12	75.12	75.12
Europe (596)	140.42	140.42	140.42	140.42	140.42	140.42	140.42	140.42	140.42
World (1822)	185.02	185.02	185.02	185.02	185.02	185.02	185.02	185.02	185.02
World (1805)	246.18	246.18	246.18	246.18	246.18	246.18	246.18	246.18	246.18
World (1788)	337.85	337.85	337.85	337.85	337.85	337.85	337.85	337.85	337.85
World (1771)	253.90	253.90	253.90	253.90	253.90	253.90	253.90	253.90	253.90

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Step 1 day 1 Step 2 day 2 Step 3 day 3 Step 4 day 4 Step 5 day 5
Gold Mines Index (22) 302.25 -4.0 304.51 138.29 2.04 -

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Weekend September 12/September 13 1998

Japan's GDP falls for third quarter running

By Paul Abrahams in Tokyo

Japan's economy contracted for the third quarter running in the period ending in June, its poorest performance since records began in 1955.

The worse than expected data, released yesterday, prompted many forecasters to downgrade their predictions for the current financial year, warning that the Japanese economy would contract.

Gross domestic product fell 0.8 per cent quarter-on-quarter, an annualised decline of 3.3 per cent. That was against consensus forecasts of minus 0.6 per cent and minus 2.2 per cent.

The dismal data were released after the markets closed in Tokyo. The Nikkei 225 index suffered its largest single day points loss of the year, closing down 749 points or 5.11 per cent at 13,916.

The disappointing figures were caused by worse than expected private consumption and capital spending, as well

as the failure of much trumpeted government spending programmes, at least so far, to boost the economy.

"It has become clear [the government's target of] 1.9 per cent growth is impossible," said Toshiaki Sakai, Economic Planning Agency minister. He declined to give a GDP forecast for the July-September quarter, but said the outlook was "not good".

Michael Nield, economist at Dresdner Kleinwort Benson, said his company would be cutting forecasts from about 1.5 per cent growth to a contraction of about 1 per cent for the year ending in March 1999.

The question is what the government can do given the collapse in private demand," said Richard Jerram, economist at ING Barings. "The politicians have been so obsessed by the banking bill they have forgotten about the real economy."

"As for the bureaucrats, they have been so busy trying to boost the yen, they have

ignored the fact that a weak currency is good for exports."

The yield on the benchmark 10-year government bond fell to a new low of 0.79 per cent.

"This is utterly unbelievable," said Yasuo Ueki at Nikko Securities. "You could say this means the economy won't get better for 10 years. It means for the time being investors have no other place to go but bonds."

Personal consumption fell 0.8 per cent quarter-on-quarter, while capital spending plunged 5.5 per cent. This was particularly disappointing said analysts because these account for more than 70 per cent of GDP.

Meanwhile, government capital spending, which should have begun to increase following large stimulus packages, rose just 0.1 per cent.

Exports were the only bright spot, although this was due mainly to a 6.8 per cent fall in imports, caused by weak domestic demand. Exports declined 0.4 per cent.

Toshiba predicts its first loss for 48 years

By Alexandra Harvey in Tokyo

Toshiba, Japan's second largest electronics group, has warned it would incur its first loss in 48 years, fuelling concern about the devastating impact of the collapse of the semiconductor market on Japan's electronics industry.

The warning comes days after Hitachi forecast its first losses in more than 50 years. Shares in Toshiba slid 7 per cent from ¥470 to ¥437, their lowest level since July 1986, before the group's announcement that it expected parent net losses of ¥5bn (\$37.3m) in the first half of the current financial year.

The group blamed the rapid decline in the price of memory chips and computer accessories as the main reason for the loss. It expected to break even at the full-year stage, with computer accessory prices stabilising and strong sales of computers lifting the second-half result.

The group also unveiled a wide restructuring that will consolidate departments to raise efficiency. Employee levels will be cut 10 per cent to 60,000 by March 2000, through natural attrition, with headquarters staff being reduced by 50 per cent to 300.

Toshiba also slashed its capital spending on semiconductors from ¥140bn to ¥120bn this year. However it has no plans to close its chip factories in Japan or overseas, said Taiso Nishimura, company president. A number of Japanese chipmakers, including NEC, Fujitsu, and Matsushita Electric, have announced plant closures in recent weeks.

In May, Toshiba had forecast earnings of ¥7bn in the six months ending in September, compared with ¥2.4bn in the same period last year. On a consolidated basis, the group expects half-year losses of ¥2.6bn after taxes on ¥3.6bn in turnover.

Last year, the group's only loss-making division was home appliances. This year Toshiba also expects operating losses of ¥30bn-¥40bn in its electronic devices division, which includes D-Rams and liquid crystal displays.

Split rules aim to drive Ford into 21st century, Page 25

Ford drops Kia bid and confirms top job split

By Nikki Tate in Chicago

Ford Motor Company has pulled out of the bidding for Kia, the troubled South Korean carmaker, citing the level of debt potential investors were being asked to take on.

The Kia announcement came as the Detroit-based carmaker confirmed that it would split the chairman and chief executive positions when Alex Trotman, current holder of both posts at Ford, retires at the end of this year.

The former post will be filled by William Clay Ford, the 41-year-old great grandson of Henry Ford - the first time a member of the founding Ford family has chaired the company since 1960.

Ford's new chief executive and president will be Jacques Nasser, the second Lebanese-born Australian who has been widely credited with spearheading Ford's aggressive cost-reduction initiatives. Mr Nasser, 50, joined Ford in

Australia and has headed both its Australian and European operations.

Both appointments will take effect on January 1, 1999. The new structure and the likely successors to Mr Trotman had been rumoured for months, although Mr Trotman, 65, was due to stay on until 2000.

In Detroit yesterday, the outgoing chairman said the accelerated handover was prompted largely by strong performance by Ford, which in turn has been driven partly by aggressive cost-cutting.

"It's not a big exaggeration to say that the company has reinvented itself... it was felt we should move on and not wait until the end of next year, as envisaged a few years ago," he added.

Ford's withdrawal from the Kia bidding comes as efforts get under way for a second time to sell the bankrupt South Korean carmaker and its truck affiliate. A previous auction was aborted as four bidders - Ford, Hyundai,

Daewoo, and Samsung - asked for principal debt write-offs.

Creditors have since offered to write off around Won7,560bn (\$5.85bn).

Yesterday, Mr Trotman said this was "nowhere near enough to make (Kia) remotely interesting to us". However, he stressed that Ford remained interested in South Korea and conceded it was "possible but most unlikely" that the US company could get involved again - if, for example, the new auction ran into problems and further concessions were made.

Analysts and Kia officials have said they believe it is likely that there will be a winner this time, with the deadline for bids on September 21. Ford, which already owns 9.4 per cent of Kia, added that it hoped to continue its purchase of the Ford Festiva small cars for Kia, an arrangement which has been in place since 1986.

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Markets Latest

FTSE 100	5,110.0	(-15.0)
FTSE 250	3,220.0	(-4.1)
FTSE All-Share	2,335.0	(-0.5%)
Nikkei	13,916.0	(-7.4%)
Dow Jones Ind	7,027.15	(-0.1%)
S & P Composite	952.00	(-0.1%)
3-mo Treasury	7.94%	(7.94%)
US 10-year Treasury	6.15%	(6.15%)
US 30-year Treasury	6.44%	(6.44%)
3-m Treasury Bill	4.87%	(4.87%)
Long Bond	5.10%	(5.10%)
Yield	5.10%	(5.10%)
US NORTH OIL (Avg)	112.70	(112.70)
Short Date	112.70	(112.70)
US 10-year Treasury	6.15%	(6.15%)
New York Comex	290.7	(290.7)
London	229.46	(229.46)
Treasury Note	120.19	(120.19)

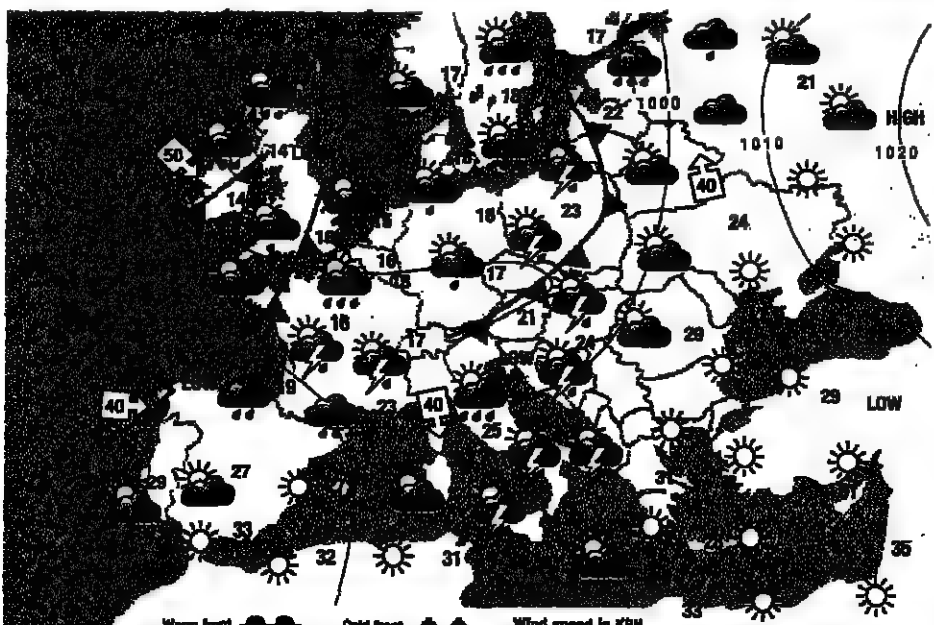
Weather

Europe today

A frontal system will bring heavy rain and thunderstorms to central Europe. The thunderstorms will extend into the Mediterranean, affecting Italy and the Balkans. France and the Low Countries will be cool with heavy showers and thunderstorms. Norway, Sweden and Denmark will have sunnier and scattered showers, although western Norway will have more persistent rain. Western Russia through to the eastern Mediterranean will be mainly sunny and warm.

Five-day forecast

Western and central Europe will remain unsettled, but milder weather will spread from the west by mid-week. Western Russia through to the Black Sea will remain warm and sunny over the weekend, but cooler weather with thundery showers will edge in early next week.



TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	30	Amman	25	Beijing	25
Accra	28	Algiers	25	Bombay	28
Aden	30	Amman	25	Bombay	28
Algeria	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28
Amman	25	Amman	25	Bombay	28



THE LEX COLUMN

Bad for Bill and the bulls

Stock markets in Europe and the US are still standing. But they are taking a real battering. This week has produced another series of blows. Most worrying, Brazil is now under the cosh (see below). If it buckles, the Dow - which has been gyrating wildly on a downward trend - will take another lurch into negative territory.

The increasing likelihood that Bill Clinton will be impeached and details of the fall-out from Russia have further unnerved investors. As more banks on both sides of the Atlantic have owned up to their Russian and emerging market exposure, the banking bubble has burst. The shares of Europe's biggest banks have fallen up to 40 per cent since the end of June - with the Spanish and French ones worst hit. In the US, the carnage has been just as ugly. Yesterday, Lehman Brothers, the investment bank whose shares are down more than half since the end of June, was forced to deny it was going out of business because of the turmoil.

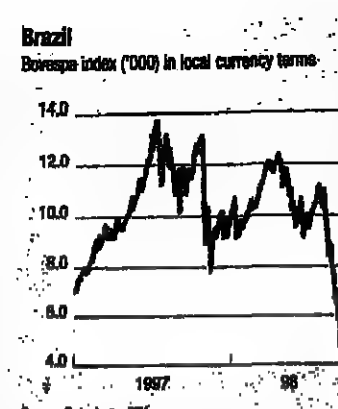
In the circumstances, it is hardly surprising that Britain's FTSE 100 yesterday became the latest big market index to surrender all its gains for the year, briefly slipping below 5000.

The one bright spot is the hope that global interest rates will be cut. Japan has already led the way. The US Federal Reserve and the Bank of England have both hinted they may follow suit. The bond market is certainly anticipating that borrowing costs will be cut: 10-year government yields are now below 1 per cent in Japan and 4 per cent in Germany. But the remaining equity bulls are over-egging the advantage of lower rates. The bond market is coming close to predicting global deflation. Shares would not flourish if that occurred.

Brazil

By raising interest rates to nearly 50 per cent, Brazil has temporarily staved off the threat of devaluation. With the country's foreign reserves, previously seen as its main buffer against a full-blown crisis, depleting at a rate of more than \$1bn a day, something had to be done to stop the capital flight.

But high rates on their own will not be enough. Drastic action is needed to tackle the underlying fiscal deficit. The recent combination of piecemeal fiscal measures and tight monetary policy is failing to



Source: DataStream/ICF

\$40m-\$50m. As it is in the same industry as TLG, it is better placed to achieve them.

What about the cost of capital argument? Would Wassall's new TLG vehicle, with its \$150m (\$247.5m) debt and \$200m equity, enjoy a much lower cost than the parent's 10 per cent?

Sure, the post-tax cost of debt may be only 6 per cent, but the cost of equity in this relatively risky vehicle - with interest little more than twice covered - will be higher than safe old Wassall's. Put it at 12 per cent and the required post-tax return on the \$300m cost of the acquisition would be about \$36m. That would mean pushing TLG's taxed operating profits up by 60 per cent. This leaves the ring-fencing of the project as a final plus. If TLG goes bust, Wassall does not suffer. But its reputation would.

Normal groups stand behind their subsidiaries and Wassall still has not made a good enough case for its peculiar new approach.

Thyssen Krupp

After the drama of Krupp's ground-breaking hostile bid for Thyssen, waiting for the two to agree the terms of a more decorous merger has been an agonising process. That it has taken some 10 months for the two sides to agree on valuation shows the market for corporate control in Germany remains inefficient, as well as fraught with political and union hazards. Despite a few other high-profile mergers such as HypoVereinsbank, shareholder value creation continues to derive more from internal restructuring than rationalisation across industries.

In the case of Thyssen Krupp, in reaching the 67:33 ratio in Thyssen's favour, independent auditors have suggested a combined enterprise value greater than current market values. Subtracting combined net debt from the DM35.5bn (\$19.6bn) enterprise value implies a market capitalisation of DM20bn or DM280 a share.

However, such a valuation should be taken with a large pinch of salt. With most break-up estimates hovering around DM350, Thyssen's shares hardly offer a huge amount of upside at their current level of DM238.

Investors should not rush to hold the stock. At the moment, a capital goods conglomerate facing an increasingly difficult steel market is only for the foolhardy.

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*Source: Mitrail. Offer to bid (current charges, gross income). Performance of PEP qualifying funds in the European Equity Growth Sector to 1/9/98. The index is the Mitrail FT 500 World Europe - excluding UK.

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Bill and the bulls



Spanish succession

'Aznar became obsessed with the market economy, deregulation and slimming down the bureaucracy'



Master of complex space

'In de Hooch, we have the great celebrator of the calm, unchanging domestic round, the child at play'



Wacky Westwood

'She is curiously indifferent to material wealth, and seems not to have responded to innovations in fabric and textiles'

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The Rio Grande separates Mexico from the US. But the borderland is a vibrant community of its own, says Leslie Crawford

Until he struck oil on his property 30 years ago, Adrian Martinez was just another grandson of Mexican immigrants who had crossed the Rio Grande in search of a better life.

It had not been much of a life. The family settled north of the border in San Ygnacio on a few parched acres beside the river, where they grew corn and beans, and sugar cane for their cattle.

South of the river in Guerrero Viejo, where his grandparents were born, the land was ploughed as it had been for generations.

Martinez, now nearing 70, remembers his days as a young man on horseback making social calls to Guerrero Viejo, carrying news and gifts from the Martinezes in the US to the Martinezes in Mexico.

Then, *la frontera*, as Mexicans call their border with the US, was not the heavily guarded faultline between the first and third worlds it is today. It was more an accident of history.

In the days of Martinez's great-grandfather, the division between Mexico and the US was the Red River, 450 miles to the north of the Rio Grande. The US-Mexican war of 1846-1848, however, ended with Mexico ceding half its territory to the US, including California, New Mexico, Arizona and much of Texas - a loss which rankles to this day.

The villages which straddled the Rio Grande found themselves belonging to different countries, although they continued to be linked by family ties and their common Mexican heritage.

Today, there is a clash between these two worlds that is creating a new and vibrant culture along the 2,000-mile border. A new nation is growing, neither entirely Mexican nor wholly American. It is a place between worlds with characteristics all its own.



When two tribes make a third

The farmers of Guerrero Viejo accept this fact with a resignation that is quintessentially Mexican. If they envy the good fortune of their US relatives, they do not show it. They express no desire to try their luck *al otro lado*, the other side. "It is hard to leave what one has, even now when the drought has lasted so long and the cattle are dying," says Julia Zamora Villareal, a matron of Guerrero Viejo.

When Martinez received his first oil cheque, he went on a pilgrimage to thank the Virgin of San Juan de los Lagos, near Guanajuato in central Mexico. He also transformed his grandparents' homestead into a shrine, suffused with the scent of cinnamon and candle wax, and cluttered with photographs and family mementos.

And he redecorated his own farmhouse with Louis XV furniture, gaudy statues, chandeliers, heavy brocade and lots of modern gadgets. Martinez likes to flaunt his wealth, but he also enjoys spreading it around. "I am known as the godfather of Laredo," he says with a dramatic flourish of hands weighed down by heavy diamond and ruby rings. "There isn't an orphanage or church or school I have not helped."

The city of Laredo, farther up river, is the busiest border crossing between Mexico and the US. Trade has quadrupled since Mexico joined the North American Free Trade Agreement in 1994, and Laredo's two international bridges are growing under the load.

Last year, 1.25m trucks, 15m pedestrians, 25.5m private vehicles, 86,360 buses and 150,000 railcars shunted back and forth between Laredo and Nuevo Laredo, twin

cities facing each other across the Rio Grande. On either side, tailbacks of giant trucks stretch for miles.

On the border, economic conventions are turned upside down - the dependence of Mexico's low-wage economy on its prosperous northern neighbour is reversed. US cities such as Laredo, with its warehouses, rail yards and customs agents, are almost entirely reliant on business generated by trade with Mexico.

On the Mexican side, thousands of *mangladeros* factories, which assemble goods for export, have transformed the border into North America's fastest-growing region - 11m people and a \$150m frontier economy - larger than the economies of Poland or Thailand.

The region's language is Spanish; the food is Tex-Mex; and loyalties are fiercely regional - the capital cities thousands of miles distant are barely relevant.

Gary Jacobs, chairman of Laredo National Bank and a borderman since 1959, says: "There is very little discrimination or racism here. You don't have to speak perfect English or perfect Spanish to be a perfect citizen."

In fact, Spanish, rather than English, is a prerequisite for employment at the bank, as in most businesses in Laredo, US. Board meetings are held in Spanish, because Laredo National Bank's main shareholders are Mexican. The bank lends to clients in both countries, irrespective of nationality. "The frontier has no meaning for us," Jacobs says. "We are one culture."

Even the portrayal of the border in films and literature is changing to reflect the unique society emerging. Film-makers such as John

Sayles and Robert Rodriguez have inserted modern elements into yarns about the wild frontier: the badlands are no longer always Mexican, there are cross-border love stories and drug lords are often gringos. And there are writers such as Cormac McCarthy, a recluse who lives in El Paso, Texas, who have revived the fascination of the US with the border.

The border, however, has also become the frontline of Washington's war against illegal immigration and

erecting watchtowers and building security roads along the stretch of the Rio Grande which separates Laredo from Nuevo Laredo. "We did not want a gulch in our neighbours' back yards," Jacobs says.

Elsewhere, the fortification of the border continues. More than 10,000 soldiers were deployed on the border this year to reinforce *La Migra* (immigration police), as Mexicans call the dreaded Border Patrol.

Yet the *Tortilla Curtain* has not deterred illegal migration: it has only made the crossing more perilous. Hundreds of migrants have died of thirst or exposure in the unforgiving Sonora and Chihuahua deserts, where *la frontera* is less heavily guarded. Others have entrusted their lives and their savings to "coyotes", who specialise in the traffic of human cargo.

For a \$1,500 fee, coyotes will smuggle migrants across the border in railcars containing toxic waste, beneath vegetables in refrigerated containers, and in fuel tanks. Often, the fee can be partially redeemed if the migrant agrees to carry drugs. "It is American policies which have driven migrants into the hands of smugglers and drug traffickers and turned them into criminals," says Jacobs.

Before the crackdown, which coincided with Mexico's economic crisis in 1995, there was little violent crime on the border. Migrants did not carry drugs, or guns. They would walk for hundreds of miles in search of jobs on cattle ranches or cotton farms. "Migrants are the biggest risk-takers, and the hardest workers. They form the backbone of the farm econ-

omy in Texas," the banker says. He is an advocate of guestworker programmes and of the decriminalisation of drugs, adding: "This is not a war Washington will win."

For those Mexicans who risk their lives in a desert crossing, or by wading into the turbulent waters of the Rio Grande, *la frontera* and everything beyond it is a place which exists mainly in the imagination - a mythical land of dollar wages, health-care and education, where a stroke of good luck can turn paupers such as Martinez into millionaires.

For Americans, *la frontera* is also steeped in myth. It remains a wild and lawless place more than a century after Butch Cassidy and the Sundance Kid made their break for the border. Mexico's seedy frontier towns are where young men come to lose their virginity, and where drugs, alcohol and new identities can be procured cheaply.

Nuevo Laredo exists to cater for such imaginations. In the torrid heat of the afternoon, prostitutes emerge from their walled compounds to air their bed linen, comb each other's hair and play cards. Liquor stores offer "the cheapest tequila in town", and signs posted outside low-life dives forbid the entry of "men in uniform, or men with guns".

While Laredo's streets are quiet and orderly, Nuevo Laredo is loud, colourful and chaotic. The town's population has doubled in the past five years, swelled by the northward march of job-seekers who have transformed urban life into a miracle of improvisation.

Half-built houses lean against crumbling buildings. Electricity is stolen from sagging pylons, and water is

available only every other day. Everywhere there is the simultaneous impression of decay, and of unfettered expansion.

"Poor Mexico," the late dictator Porfirio Diaz once lamented. "So far from God, so close to the US."

At the turn of the century, he foresaw the problems that would inevitably arise from the clash of such distinct cultures. But if he were alive today, he would marvel at the energy sparked by the collision of two worlds.

This border economy has created a unique and vigorous community which, despite Washington's best efforts at segregation, could yet provide a model for more tolerant societies.

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Joe Rogaly
Foul play?

'Curses and calls for damnation fell upon the evil genius's horned skull'

Page III

NEXT WEEK

Focus on property

Keep it in the family: Tony Pidgley junior is itching to get his hands on his dad's business

In Weekend FT

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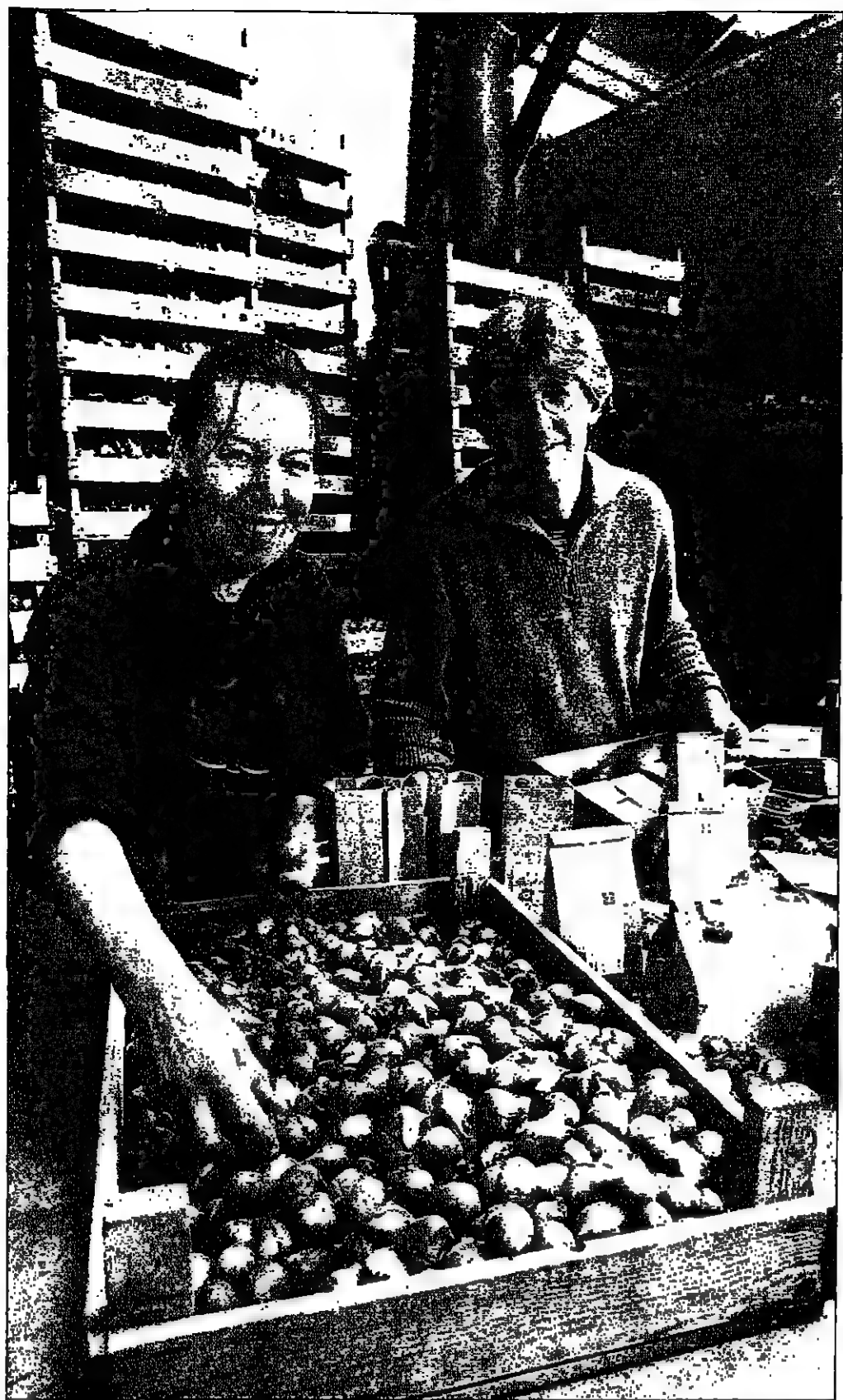
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PERSPECTIVES

Minding Your Own Business

Digging in to a growing niche

An organic bulb grower has high hopes of the US market, says Jeremy Gray



Wim and Janet Postema: "There is some evidence that organic bulbs grow better indoors"

Wim Postema reached into a wooden crate, extracted a bulb and frowned. In eight months, this soil-speckled clump would produce a splendid white bloom with a pinkish glow, the German tulip variety called Jugendzeit.

At that moment, however, the Dutchman was preoccupied with the tuber's cracked skin, and the implications for this year's harvest.

"It's a visual problem," says Postema. "I'm raising the voice to be heard above the whirr of the warehouse fan, which keeps damp and a noxious bulb gas, acetylene, from accumulating. 'This is perfectly good planting material, but customers who see the bulbs prefer to buy ones with whole skins. Ironically, if they order from the catalogue they go by the pictures of the flowers.'"

Marketing, not farming, is the biggest headache for Postema, a former development aid specialist who runs what he claims is the world's largest farm for organic bulbs (that is, raised only with natural substances). This labour-intensive business wouldn't survive without the help of his wife, Janet, 50, and their three children (aged 17 to 25), who pitch in whenever their education and careers allow.

The operation is far from huge, though, measuring just four hectares (10 acres) and annual turnover of £140,000 (£121,000). About 140 varieties of his so-called "ecobulbs", some of which are sold direct by mail order and through third-party distributors in the UK, Switzerland, the US and in the domestic Dutch market.

Postema is no gentleman farmer. In the late 1970s, an agricultural engineer by training, he took a job with a German Christian aid agency in South America and Africa before joining an envi-

ronmental consultancy in Bangladesh. In 1982, after seven years working abroad, he spent another seven years as a soil contaminants analyst for the North Holland district government.

In 1989, Postema joined his younger brother, Wiert, at the family's 36-hectare farm near Wieringerwerf, a village 60km north of Amsterdam. Wiert had already been growing organic crops since inheriting the farm from his father five years earlier, and the siblings began toying with the idea of growing and selling organic bulbs - a risky undertaking, as a market for them didn't then exist.

"At that time, no one grew organic bulbs because they thought it wasn't possible without pesticides," the elder Postema says. Finally, in 1992, the brothers planted several fields of organic tulips, and Hoeve Vertrouwen (Trust Court) was founded. Orders flowed in from green-minded local councils in Amsterdam, Rotterdam and the Hague, and the environmental group Greenpeace offered the bulbs in its Dutch and German shops.

As the undisputed bulb capital of the planet, it's natural that the Netherlands should attract the most "green" bulb growers; there are about a dozen. However, a combination of the higher than normal selling costs and small demand for organic bulbs - big mail-order operations, such as the Dutch competitor Bakker, might sell 10 times as many non-organic bulbs of any given variety - has forced a number of farmers to quit the business.

Greater economies of scale may be the answer. Next year, Postema plans to expand in the lucrative American market in the hope of lifting net returns, which have dug in at 10 per cent over the past few years.

"We'd like to think that people buy our products because they're worried about the environment,"

he says. "But there are other aspects. We sometimes get letters from people who say our bulbs flower better, even though they may have imagined it. But there is some evidence that organic bulbs do grow better indoors than conventional ones."

The brothers devised an ecosystem that worked by cutting bulb-planting density by 35 per cent, removing the diseased plants by hand, and cultivating the bulbs within the crop rotation of the farm as a whole to prevent a build-up of soil pests and diseases. The fertiliser for both sides of the family business - Wiert chiefly raises organic food crops including potatoes, alfalfa and carrots - is manure from an organic dairy farm.

Without chemical fertilisers, the soil's store of growth-fostering nitrogen is reduced. This means the crop yield is less, but the brothers discovered they could offset lost profit with what they saved on fungicides and pesticides.

"We originally assumed that organic growing would be 50 per cent more expensive than conventional," Postema says. In fact, by eliminating chemicals and doing most of the work themselves, the family found they could compete with ordinary growers. "Our prices are in some cases lower, such as for special varieties, and tend to be higher for bulk selections."

Thanks to natural methods, Postema believes he has raised plants that are stronger and less prone to major diseases, such as the fast-spreading "tulip fire" virus. "The whole system of soil biology is superior. In conventional farming, you feed the plant. In organic farming, you feed the soil," he says.

Sadly, marketing the bulbs has proved devilishly time-consuming and more costly than the farming itself. Response rates to

mass mailings in the Netherlands are around 30 per cent, including inquiries that do not lead to a purchase; in the UK, a mere 2 per cent answered a recent flyer. "The problem is figuring out how many catalogues you have to send to get an order," he says, as he helps Janet and his youngest daughter, Esther, fill envelopes. Each order costs about £110 in printing and postage.

Moreover, this seasonal, low-volume business is as vulnerable to buyers' whims as to disease and bad weather. To cut handling costs, Hoeve Vertrouwen stipulates minimum orders from retailers. Their demands tend to be very specific, too. Perhaps worst of all, people tend to order late in the year, making it virtually impossible to sell leftover stock.

"You have to tell people that the ideal planting time is from mid-October to early November," Postema sighs. The deadline for orders this year is September 23.

Postema believes that forging alliances with organic retailers is the best route to better returns. In 1996, the Swiss charitable co-operative Ekkhardt added the supplier to its product list, as did the Organic Gardening Catalogue last year, which reaches 35,000 members of Europe's largest green gardening body.

Hoeve Vertrouwen is also in talks with Seeds of Change, based in Santa Fe, New Mexico, to expand an existing co-operation. Postema says it costs more to export to the US because hygiene laws there require bulb imports to be washed, but he is undeterred. "When I look at prices on the American market, I know the margins are there. We will be able to sell bulbs on a more efficient scale."

■ Hoeve Vertrouwen, Medemblikseweg 17, 1771 SC Wieringerwerf, Netherlands; tel +31 227 501637, fax +31 227 503410. The Organic Gardening Catalogue, tel 01932-620958, fax 01932-232707.

The Nature of Things

For goodness sake, it's survival

Kate Bendall explores why red fire ants may be wearing the green-beard gene of altruism

A man leaps into an icy pond to rescue a floundering toddler. Rescue workers toil for hours in dangerous conditions to unearth possible earthquake survivors. These are examples of altruistic behaviour which benefits others, but at the cost of some risk to the perpetrator.

There must be a multitude of conscious and subconscious influences determining whether or not we are prepared to be altruistic, despite the associated risk. However, a question that intrigues biologists is whether certain genes might promote such unselfish behaviour in the individuals bearing them.

The "green-beard altruism effect" was invented by W.D. Hamilton, and named by Richard Dawkins in his best-selling book, *The Selfish Gene*. The theory proposes that there is a so-called

green-beard gene, which has three effects. First, it bestows a clear label on individuals bearing it - for example, a green beard. Second, it allows green-beard wearers to recognise other green-bearded individuals. Last, it makes green-beard wearers display altruism towards other wearers.

It was only an idea. In fact, in a later book, *The Blind Watchmaker*, Dawkins expressed doubt that in simple form, would ever be found in nature. Surprisingly, recent research by scientists Laurent Keller at the University of Lausanne, and Kenneth Ross at the University of Georgia, has uncovered the existence of a green-beard gene in red fire ants.

Biologists are fascinated by the news, mainly because it helps to explain an evolutionary mystery.

The human race evolved in a fiercely competitive world, in which relentless struggles to find essential food and shelter would have been commonplace. Under such circumstances, altruism must have decreased someone's chances of survival: successful individuals would inevitably have been tough, ruthlessly competitive - innately selfish.

In *The Selfish Gene*, Dawkins's main tenet, now biological dogma, was that competition for survival really takes place not among rival individuals, but among rival genes. Since individuals develop according to instructions laid down in their genes. He referred to living organisms as "survival machines", regarding them as vessels through which genes are propagated, generation after generation.

So do our selfish genes programme us to be purely selfish creatures? If so, our only protection against thoroughly selfish societies are the cultural influences which tend to value altruistic behaviour - a depressing scenario.

The most common form of altruism is parental care of offspring, and the survival advantage for a gene promoting such behaviour is clear: the gene enhances its chances of existing in the next generation. The same explanation applies to other family relationships, since members of the same family share many genes.

Green-beard genes are a logical extension of this line of reasoning. Even unrelated individuals share some genes. In promoting altruistic behaviour towards other green-beard wearers, this gene enhances the survival of its replicas in other indi-

viduals - giving a powerful boost to its chances of being passed on to the next generation.

How does the newly identified green-beard gene operate in red fire ants? Each ant has two copies of a gene, Gp-9. There are two versions, or alleles of Gp-9, called Gp-9B (B) and Gp-9b (b). The researchers found that worker ants behave differently towards queens, depending on the queens' Gp-9 genes.

Queens come in three varieties: they can have two copies of Gp-9B (BB), two copies of Gp-9b (bb), or one copy of each allele (Bb). Bb queens are the only kind that survive long enough to lay eggs. Queens that are Bb die from natural causes before they are mature, while BB queens are killed by workers after emerging from the pupa.



that the attack on BB queens seems to be carried out mainly, or exclusively, by Bb workers. The Gp-9b allele apparently directs its bearers to attack any queens that do not carry it (BB), while queens that do carry it (Bb) are left unharmed. The researchers showed that the effect cannot be explained by Gp-9b making the workers more aggressive, because when ants of another species were introduced into nests,

they were attacked indiscriminately by both Bb and BB workers.

The behaviour of Bb workers ensures that only Bb queens reproduce, and so Gp-9b improves its chances of being transmitted to the next generation, just as predicted for a typical green-beard gene.

How can Gp-9b produce these effects? When the scientists rubbed randomly chosen workers against BB

queens, those workers were attacked by their nestmates, whereas ants rubbed against Bb queens did not provoke the aggressive behaviour. They concluded that the ants' "green beard", or distinctive label, is a chemical signal on the queens' cuticles.

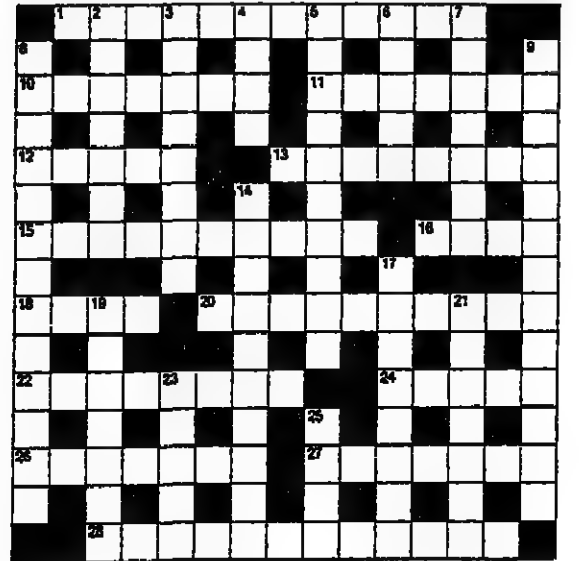
In this case, the green-beard gene seems to provoke aggressive behaviour towards non-green-beard wearers, rather than altruistic behaviour towards wearers. Nonetheless, it is an impressive demonstration of the green-beard effect in nature, leaving us to speculate that other green-beard genes, operating in different ways, might exist in other species.

Luckily, in human societies, altruism towards strangers is not unusual. You probably give money to charity, or give up your seat on the bus, without much reluctance. Maybe those acts do not originate only from social conditioning. We enter the world as predominantly selfish individuals, but there is room for altruism somewhere in our genes.

■ Kate Bendall, *Mammalian Genetics Unit MRC, Harwell, Didcot Ox11 0RD.*

CROSSWORD

No. 9,785 Set by CINEPHILE
The prize of a matching set of finely engraved personalised notepaper, envelopes and correspondence cards on Ecco Kid Finish Paper from Crane & Co will be awarded for the first three correct solutions offered. Solutions by Wednesday September 23, marked Crossword 9,785 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday September 26.



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BRIDGE

The pool terrace of the sumptuous Loews Hotel in Monte Carlo is a fine venue for a high-stake rubber bridge game. The attire of the players - towelling robes, flip-flops and dark glasses - was somewhat unconventional, but my view as dummy over a Mediterranean bay to misty Cap Martin was an improvement over the usual. Lighting a huge cigar, my partner showed the bemused kibitzers that bridge al fresco was still a serious business.

N
♠ 10 7
♥ A 6 2
♦ Q 7 5 4 3 2
♣ 5 3

W
♠ K Q J 5 3
♥ 5
♦ J 10 6
♣ K 10 7

E
♠ 9 4
♥ 10 9 4 3
♦ K 9
♣ Q 8 6 4

Dealer: E N/S Game
North East South West
- NB 1H 1S
2H - NB 4H
Playing Five-card Majors, I felt the North hand was well worth a raise in hearts but, despite his 20 points, South

still had work to do. West led K♠ and, when East encouraged with ♠4, he led another. East completed his pet, and declarer won with A♠. To succeed, he must ruff a spade and a club in dummy but, because of the trump break, he cannot afford to use A♥. Perhaps unwisely, East has made it obvious that he is poised to overruff the third spade, so what is the solution?

At trick three, declarer played his third spade but, instead of ruffing, he made a "loser exchange" discarding ♠4 from dummy. West, surprised to have the lead, switched to a trump. Declarer won with dummy's A♥, crossed to his A♠ and ruffed a club. He then came back to hand with A♥, and safely ruffed his last club. That achieved, declarer gave up a diamond trick to East's K♦ and later collected his four trump tricks.

In Lille, the World Bridge Championships continue. Michael Rosenberg, formerly of Scotland, but now from the US, won the problem-solving Par Contest, beating the world's best bridge computer into 12th place, while Italy won the Rosenberg World Team Championships.

Paul Mendelson

CHESS

Coinciding with Simon Knott's success at Hampstead reported here two weeks ago, Jonathan Parker of M&C scored an even more impressive victory for City fund managers in winning the DM9500 first prize at the Berlin Summer, one of Europe's strongest opens.

Parker, 22, finished ahead of 26 grandmasters. He already has one of the three GM results needed for the full title, and although he narrowly missed the norm in Berlin it could still count if he achieves a third score with something to spare. In the decisive game, he fought back cleverly from a dubious opening (L. Espig v J. Parker).

1. Nf3 d5 2. g3 Bg4 3. Bg2 Nf6 4. d3 c6 5. b3 e6 6. Bb2 f5 7. Nbd2 Ng8 8. 0-0 Bc5 9. d4 Bd6 10. Ne5 0-0 Bf7 11. Nxf4 fxe4 12. e4 e5 13. exd5 cxd5 14. e4 e4 15. exd5 Re3 16. Nc4 Re1 17. Nd5 18. Ne5 Qe8 18. Qe2 Qf5 19. Rf1 Bc6 20. Rael Rxe1 21. Rxe1 h5 22. Re1 Rf3 23. Qc2 Nxd5! 24. Nc4 White has raised 24. Bxe4 Nxe4 25. Rxe4 Nc3 Bb4 25. Re2 b5 26. Ne3 Nxe3 27. Rxe3 b4 28. exb4 Rb6 29. Bxe4 Qf4 30. Bg2 Qxb2+ 31. Kf1 Nf5 32. Qe4 Qxb4 33. Ke1 Qxf2+ 34. Kd1 Nf4! Avoids the last trap Qxb2? 35. Qd5+ Rf7 36. Re6+ Bb3 37.

Leonard Barden

Ode to common with a n at his f

We started counting how long it took to get the party needed to raise its profile

Our demon is only playing

Glengold. Another crafty puzzle by the German composer who specialised in unusual finishes from simple positions.

PERSPECTIVES

Lunch with the FT

Ode to the common man with a nation at his feet

José María Aznar shares his bucket and spade with Tom Burns during their summer holidays

Arriving for lunch, we were greeted by a young diplomat wearing shorts and two golden cocker spaniels baring their fangs. "They're fierce to everyone at first because they know how important their master is," said the diplomat, cheerfully. "They've bitten half the cabinet already."

The prime minister's teenage daughter, who had just woken up, then emerged from the modest two-storey villa. She kissed my wife warmly, said she had no idea where the rest of the family was, and sauntered, bikini-clad, out of the small garden and on to the beach. "It's very relaxed here," said the diplomat and handed out drinks before disappearing.

An invitation to lunch with José María Aznar and his wife Ana Botella during their August holiday at a bucket-and-spade family resort on the Mediterranean tells you a lot about why the centre-right Popular party is running Spain.

Their ordinariness prompted sneers from those used to the charisma of Felipe González, the socialist leader who was in power for 14 years and finally lost to Aznar in 1996. But that is precisely the strength of the Aznar-Botella team. And, in any case, it is deceptive.

Aznar is a calculating politician to his fingertips. "To be honest, we started coming here eight years ago because the party needed to raise its profile in the area," he said. "Now we keep coming because the children want to meet up with their friends."

"Here" is just like any other concrete jungle town on the Mediterranean Coast, and it is an hour's drive north of Valencia along a beachfront stacked with similar urban disasters

— the sort of place where millions of other Spaniards spend their holidays.

Botella soaks up the sun on the small beach with the rest of the mums, while Aznar prefers to escape the crowd aboard a rubber dingy operated by the local coastguards. After a siesta, he plays paddle tennis at a nearby sports club.

With the youngest child in tow and clutching towels, Botella arrived to meet us first. We talked about how

'We started coming here eight years ago because the party needed to raise its profile'

our respective elder boys found mathematics difficult at the Madrid business colleges they both attended.

"I stopped doing maths when I was 14 and started again at 23 when I finished law school," chipped in Aznar, who had turned up dripping wet from his dingy excursion. "I decided I was going to be a tax inspector so I could marry Ana as soon as possible."

He passed the competitive exams to join the elite *Inspector de Hacienda* cadre within a year. "Eight hours a day and one day off a week for the first six months and 12 hours a day and no day off for the next six months," he explained.

Botella, a fellow law student, also spent a first year out of college studying to join the upper echelons of the civil service. It was 1976,

the year that Franco died. "Did you really want to be a tax inspector?" I asked.

"Not particularly," he said. "It just happened to be the quickest way into a steady job."

As children rapidly followed marriage, they became a model couple of middle-class Spain: their future, and that of their family, secure in the bosom of state employment.

But Aznar entered politics and became obsessed with the market economy, deregulation and slimming down the bureaucracy. Born in 1963, his immediate elders had set a course for the post-Franco democratic era. The job of his generation was to make Spain seriously competitive.

As *serrano* ham, expertly cut into wafer-thin, sweet-smelling slivers, was produced, conversation switched from the problems of children becoming adults, to the Coto Doñana, the fabulous nature park in southern Spain that was threatened by a toxic spill in April. I planned to be near there later in the year.

"[Tony] Blair, who was with us in Doña over Easter, phoned me to commiserate and I told him everything would be all right. I was there at the end of July and the park is not affected," Aznar said. "I'm going again before I return to Madrid and I'll show you myself."

Then we discussed parents and poetry. My wife and I had given Aznar a volume of poems that, more than 80 years ago, his father had given to my mother (the ties between our families go back many years). In the book, in a touching twist, Aznar's father, in a fine script, had added to the book's frontpiece a couple of poems he had written himself.

An outwardly reserved



José María Aznar: 'I decided I was going to be a tax inspector so I could marry Ana as soon as possible'

Eric Vandewalle

man, Aznar was visibly moved by the book. Sipping a young Ribera del Duero red, his favourite drink, he silently read his father's poems. "They are really rather good," he pronounced.

The emotion stirred his appetite and he began worrying about *arroz*, the rice. In the Valencia region, people pride themselves on knowing more about rice than the Chinese do and they know that cooking it requires patience. Botella

consulted the cook and reassured us it would be worth waiting for. It was. At three in the afternoon we moved to a table that had been set out under a fig tree and

arroz negro was produced in a large *paella* pan.

A brilliantly simple rice dish, it is actually black — for its single ingredient is tiny squid, complete with

their ink. You eat with it dollops of *aioli*, unconcerned about the effects of the garlic. Old hands know that by swishing Ribera del Duero around in the mouth, they

reduce the pungency of their breath.

A lobster salad followed and Aznar got down to business. His mind was no longer on holidays, families and poetry. "In September, when we are all back in Madrid, you'll start to notice things, and in January it will all become much clearer," he said. "I'm going to start talking about the reformist centre and the party will take it aboard when it holds its congress at the beginning of next year."

Like Blair's radical centre? "More or less," he said. "We've got to focus on exclusion and we do this by spending money on education and training."

I suggested that Spain had a lot to gain from monetary union discipline.

"That's the whole point," said Aznar. "We have

Sipping a young Ribera del Duero red, his favourite drink, he read his father's poems

already gone a long way along the privatisation and deregulation path: we are more flexible than people imagine and savings are going into the productive economy."

Aznar was now in full flow. The Popular party had fuelled a strong, non-inflationary, growth rate and unemployment was coming down fast. Its next task was to become the natural governing party. "We do this by being forward-looking, efficient, reasonable and responsive, by guaranteeing modernity and progress in the European Union."

A few days earlier, his predecessor, González, had kicked up a storm by accusing the Supreme Court of unjustly sentencing a former interior minister in his government in connection with a "dirty war" waged in the 1980s against Basque separatists.

"Radical socialist language suits us perfectly," said Aznar, as he asked for a second helping of chocolate ice-cream.

Joe Rogaly

Our demon of the week is only playing the game

Rupert Murdoch has done nothing wrong — he has bought well



If Rupert Murdoch had not been demon of the week, it would have been some other capitalist devil. Let me explain. On Wednesday the prospects for Mr Murdoch's global media business were enhanced when a part-owned subsidiary bid for Manchester United, the world's most glamorous football company.

Uproar followed. Curses and calls for damnation fell upon the evil genius's horned skull. What? Treat the beautiful game as a mere commodity? The Great Imp shall burn forever.

He might, but not for buying United. That, this most aggressive entrepreneur can reasonably plead on judgment day, was merely a defensive play by a corporation that trades in images. You might say that I am being airy-fairy in thus defining the abstract end of the economy, but consider.

The image business drives the economies of the industrialised world. In the 1970s we would talk of the forthcoming information age, and we were right. In the 1980s we began to append the word "technology" to "information". That vision, too, has come true.

In the present decade we can see a further leap into the unknown, towards the dominance of the pixelated confederation. Electronically generated pixels — dots — combine before our eyes. Every signal feeds our fancies, fills our heads, seeks

the attention of our eyes. In defining this phenomenon, some of us would include the futures and derivatives markets, which are played by numerate yet excitable fantasists on the basis of graphs and charts displayed on ever-busier dealing screens.

For the moment, however, consider just cinema, videos, the worldwide web, and digital TV, all entertainment, including some of the elements passed off as news or education. These media convey moving pictures, images depicting anything the human mind can conceive. More to the point, they can manipulate their dream-products.

Thus a future Manchuria United, digitally reprogrammed from English matches, could give the players Chinese faces, with goals for whichever side the owners choose. Star TV, a Murdoch satellite enterprise based in Hong Kong, could beam the product down. Why not? Let a billion pixels bloom.

This prospect is a universe away from the amateur spirit of sport, the Olympic ideal, the friendly contest between gentlemen for whom playing is more important than winning. Some romantics regret this. Too bad. The image economy prevails.

Manchester United fans delude themselves when they speak of the company as a "club". The chants and waves of the spectators in the stadium may be heartfelt, but on TV their function is that of a studio audience. Nor does Big Football have much consonance with

local lads kicking a ball about, or regional culture, or the love of the game for its own sake, unswayed by commerce.

Tony Blair himself has pointed this out. "The values that make soccer the people's game are being eroded," the leader of the Labour party proclaimed. "Football is being too driven by money and not enough by the sporting spirit."

These sentiments were expressed in 1985, before Mr Blair became prime minister. You could argue that the support of Mr Murdoch's tabloid, *The Sun*, was helpful to the people's party in the election of April 1997. If I were unkind I would say that that assistance, plus contributions to the Millennium Dome, a favoured Labour project, can be read as takeover bids for friendly treatment by the new Labour government.

This would of course be wrong. Mr Blair famously ordered the return of a million-pound donation to his party's funds made by the president of the Formula One motor racing association. F1 is supposedly the world's most successful TV sports image. It was spared an early ban on sponsorship by tobacco companies. To prove that this favour had not been bought, the prime minister gave the money back.

To demonstrate that Labour was not giving special treatment to Mr Murdoch over the bid for United, Mr Blair would have to give the government's back. Fortunately, this may not be necessary. The case

is to be reviewed by the Office of Fair Trading, which could recommend a referral to the Monopolies and Mergers Commission. I cannot see why it should.

The offer came from British Sky Broadcasting, a satellite operator in which Mr Murdoch's News Corporation has a 40 per cent stake. True, there is an element of vertical integration in this. As a broadcaster and owner of an important team, BSkyB may be strongly positioned in future negotiations for European football TV rights, or pay-per-view regulations. Titch, it has bought well, but other image-mongers exist.

They could still make a counter-bid for United, or pitch for rival teams. Carlton Communications, a smaller outfit than Mr Murdoch's, is in talks with Arsenal, a victorious London-based team of which I have been a lifelong supporter.

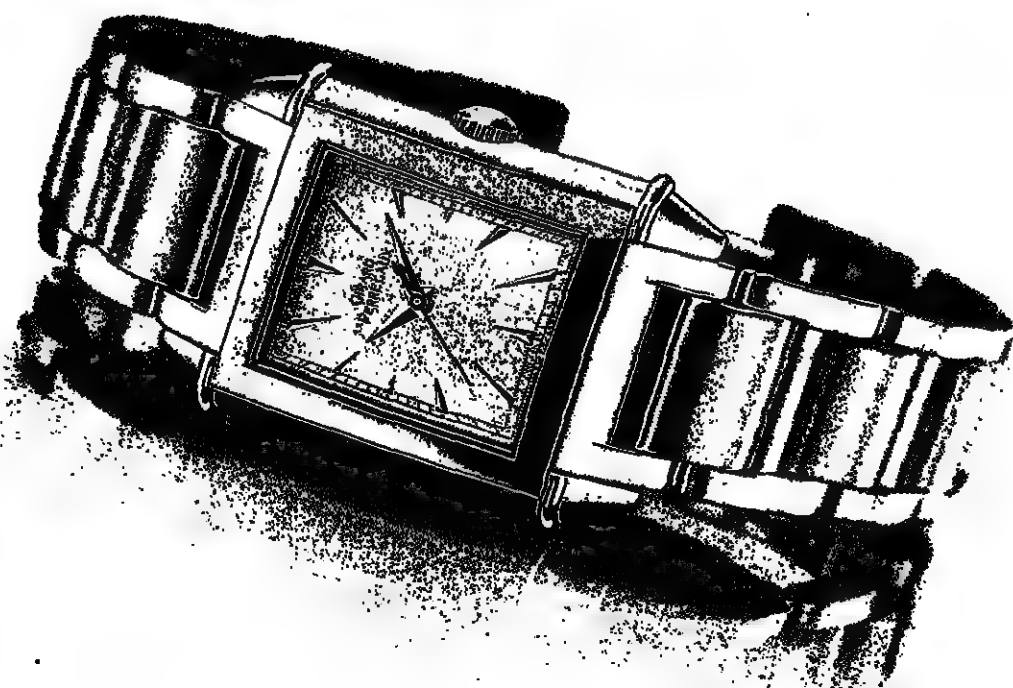
Ah yes, it may be protested, but look at BSkyB's exclusive rights over English Rugby, the purchase by Mr Murdoch of the Los Angeles Dodgers, the Great Demon's indirect stake in the New York Knicks basketball team, and his rights to broadcast American football.

It is all legal, spread across several jurisdictions. We can do no more than regret an extension of the reach of a purveyor of images whose fortune has been made by shameless dumbing-down of everything he has touched. For that he might fry in hell.

Joe Rogaly@ft.com

VINTAGE 1945

Lady



GP

GIRARD-PERREGAUX

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mortality



dolly

All the fun of the fair

Ann Geneva traces the evolution of the English fair from its nomadic origins to today

A French commander taken prisoner at the Battle of Blenheim in 1704 and detained at the King's pleasure in Nottingham was so alarmed by the vast crowds at the city's Goose Fair that

THE ENGLISH FAIR
by David Kerr
Cameron
Sutton £25, 237 pages

he wrote to the King of France urging him to abandon the struggle. He had seen enough men, he vowed, in this one English marketplace to overrun the entire French kingdom.

England's fairs first flourished at the bend of a river or at dusty crossroads, often no more than a place where itinerant peddlers had stopped to display their wares. Stourbridge Fair, as an example, came into existence beside the Icknield Way. It has even been conjectured that the vast Neolithic camps on England's chalkland ridges were the first great meeting points where pelts were traded for primitive tools, the events almost certainly marking old festivals of the land. Locations of the early fairs give evidence of this, with many of the later great sheep fairs still held on an early hill-fort or tor.

Journalist David Kerr Cameron traces the evolu-

tion of the English fair from these nomadic origins through its ignominious collapse in more recent times. The original fairs were local, their reach broadened, like so much else, by the Romans with their economic integration of England within the wider empire. The Norman Conquest spread fairs still further, and by the late-13th century the English fair, together with the market cross, had become the focus of intercommunity commerce.

Fairs were held in the gift of kings, a legacy which was devoured by the local gentry in 1856 to pull the plug on London's ancient Camberwell fair. Like lottery money, a fair's revenue could be granted by the sovereign to worthy causes. The great Stourbridge Fair was founded in 1211 to fund a leper colony.

Individual fairs became identified with certain commodities: wool, glass, cheese, hops, ironwork or cloth. Attendance was international, with merchants travelling from as far away as Iceland, Arabia and Africa bringing with them the silks and spices of their far-flung lands. Closer to home, the French hawked their finest wines, Italians their glass, gold and velvets, Norwegians tar and pitch; the Hanse towns supplied fur and amber.

As with other indigenous traditions, pagan and folk-



Fairs often descended into 'lecherie and songs, dances, harping, piping, and also to gluttony and sin': St James's Fair, Bristol by Samuel Colman (1804-40)

Bridgman Art Library

loric, the Church appropriated fairs to consolidate its position in society and to procure extra revenue. Medieval fairs often clustered around cathedrals: Canterbury attracted so many that they were referred to as "Becket fairs". The author makes the point, in light of current debates about Sunday trading, that Sunday was always the most profitable day for markets and churchyards their favoured setting. By the late-middle ages, the growth of market

towns diminished the economic importance of fairs, transmuting them into the year's great social events. Fairs then changed very little up to the 17th century. Easter, Whitsuntide and Michaelmas, after the harvest was in, were the favoured times, with the hoisting of a leather glove up a pole signalling the opening of transactions. Nearby cottagers were allowed to sell their own home brew, announced by displaying a tree branch

over the door. An official lord of the tap made sure the ale was up to standard. There were also jousts, with champion knights travelling from the continent to challenge all comers. Prizes, says Cameron, kept interest at fever pitch, the patrons of the old fairs needing little coaching in promotional skills.

Daniel Defoe observed that at street fairs, "scarce any trades are omitted, goldsmiths, toyshops, braziers, turners, milliners, haberdashers, batters, mercers, drapers, pewterers, china-warshouses". Sheep, pigs and cows also figured heavily. Smithfield had been London's livestock market since 1180, and during the 19th century some 30,000 beasts would be penned for its famous Christmas market. Thomas Carlyle describes this scene as "a braying discord such as the imagination cannot figure".

Fairs and their related celebrations often descended into what one observer described as "lecherie and songs, dances, harping, piping, and also to gluttony and sin". Indeed, most fairs would collapse under the weight of their own debauchery. Pick-pockets abounded in Camberwell, and the once great Bartholomew's Fair became so notorious it had to be suppressed. The same Nottingham Goose Fair which had so overwhelmed the French commander was described in 1860 as a "chartered saturnalia".

Today's fairs, Cameron suggests, have come full circle back to the Roman feria or festival holiday, now "a gleaming technological wonderland, a complex maze of mobile multi-million pound entertainment".

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The subject of this romantic book is an extraordinary meeting that took place in November 1945 between one of the century's great philosophers and one of its great poets (Anna Akhmatova hated the word "poetess"). Isaiah Berlin was a young diplomat working in Moscow when, by chance, he met a well-known critic called Orlov in a Leningrad bookshop. On learning that one of the great pre-revolutionary figures of Russian literature was still alive, he was astonished to find himself being taken to meet her in the nearby block of flats where she lived. Being introduced to the elegant but unapproachable poet was, he recalled later, like being invited to meet Miss Christina Rossetti.

He quickly broke down her reserve, however, by encouraging her to talk about old friends, and her

Brief encounter of an elegiac kind

The night the poet and the philosopher met has become shrouded in folklore, writes Daniel Britten

participation in the so-called Silver Age of Russian poetry in which mysticism and symbolism combined to produce a passionate form of lyricism. During the next 14 hours she often burst into tears as she lamented the barbarism of the Soviet system which, among other things, was responsible for her first husband's execution in 1931, and the imprisonment of her son, Lev, in 1938. Their meeting was doubly poignant because Berlin represented to her the beloved "world culture" to which her poetry often alluded and which she had been forced to sacrifice in favour of her patriotic love for Russia.

Not surprisingly, among Akhmatova scholars the meeting has become

shrouded in folklore. She described it as "the most memorable encounter of my life" and was to immortalise Berlin as the "guest from the future" in her famously cryptic "Poem Without a Hero". Such was her infatuation with him that Boris Pasternak commented a year later: "her every third word was - you". Berlin, however, being more rationally inclined, was less passionate, saying, "there was no Utopia for me."

Most of Gyorgy Dalos's book, which complements the recently published edition of Akhmatova's complete poems (Corgogate, £25.00), is devoted to analysing the repercussions of the meeting for Akhmatova, politically and artistically. Occasionally his

THE GUEST FROM THE FUTURE: ANNA AKHMATOVA AND ISAHIAH BERLIN
by Gyorgy Dalos
John Murray £17.99, 250 pages

eagerness to invest the occasion with historical momentousness tips it into absurdity, as when he discusses at length the question of who boiled the potatoes. Yet the meeting undeniably had an extraordinary impact upon Akhmatova's life and work. The next day her flat was bugged, and uniformed men placed her under constant surveillance. A year later she was notoriously condemned by Zhdanov in

the Central Committee as "a man and a whore", an edict which was to dog her for the rest of her life.

She even became convinced that the meeting had unleashed Stalin's anger and triggered the Cold War, after he had supposedly said, "So our new new country visits from foreign spies."

Berlin dismissed the idea out of hand but Dalos, while confirming the vivacity of Akhmatova's imagination, does indeed produce evidence from the KGB's files to show that Berlin was considered dangerous by the Soviet authorities. He was, after all, a close friend of Churchill and had lived in Russia until 1917. Whatever the truth about the event, however, it is clear that it

came to symbolise for her the repressiveness of the regime she was living under. This repressiveness intensified when she was expelled from the Writers' Union in 1946 and when her son was arrested for a second time, in 1949.

Dalos describes his beautifully evocative book as both a "love story" and a parable about Soviet life and its absurdities; but it is also about the process by which the poet transforms fact into

fiction and imbues her material with dramatic and lyrical intensity. Her friend, Nadezhda Mandelstam, said of Akhmatova, "She looked at people as one might look into a mirror, hoping to find her own likeness and seeing her 'double' in everybody..."

Berlin understood something of this when he said that, "she seemed to see in me a fateful, perhaps doom-laden messenger of the end of the world - a

tragic intimation of the future which made a profound impact on her, and may have had a part in creating a new outpouring of her creative energy."

But then, again, he never seems to have fully understood how she could profess love for someone she had only just met, and whom she would only meet once more, in 1968. In that sense it is the perfect illustration of the difference between art and reality, or between poetry and philosophy. It may even explain why westerners still have such difficulty in understanding the mystical workings of the Russian mind.

The man who made the small screen big

Graham McCann on the life and absolute loyalty to television of Britain's most innovative playwright

trainee producer at the BBC, his Oxford moral tutor warned the selection panel: "If you appoint Dennis Potter to a traineeship, you will be taking a very great risk indeed. But I think it is on balance probably a risk that is worth taking." The panel agreed, and for the next 35 years Dennis Potter lived a life dedicated to television.

As a reviewer for the *Daily Herald* and the pre-Murdoch *Sun* he could be entertainingly alert (the once described the winner of an ITV glamour contest as "a face worthy to launch a thousand fish-fingers," and conjectured that Jimmy Saville must have been "discovered, fully grown, in the bullrushes..."). He has the total innocence of the great mystics, and as a playwright he could be inspired. Potter created plays through television rather than for it, and one watched the best of them with a rare and welcome sense of wonder and, in the days that followed, one recalled them not just for certain lines or gestures or ideas but also, and most importantly, for the sheer experience of witnessing them unfold.

The problem facing Hum-

phrey Carpenter, Potter's authorised (though not by the subject himself) biographer, was how to avoid making a book about the artist into a book that is - for want of a better word - merely about the art. Dennis Potter lived a sedentary kind

DENNIS POTTER: THE AUTHORISED BIOGRAPHY
by Humphrey Carpenter
Faber £29.95, 472 pages

of life; he suffered, from his late-20s onwards, from the debilitating disease psoriatic arthropathy, which stiffened his joints, clamped shut his hands and caused his skin to flake so badly that when he took his socks off the shreds would float about the room like fine snow. He disliked meeting strangers, and distrusted any suggested change to his routine. "Your skin is your outer self - your boundary between you and the world - and inevitably you feel part of that leper syndrome, you know, 'Ring the bell and shout 'unclean'..."

In his work, as Carpenter acknowledges, Potter felt:

free to assume other selves, to redraw the boundary between the writer and the world; think, for example, of the Swansea-born boy in *Where the Buffalo Roam* (1966) who believes he is Shane, or the bored clerk in *Lay Down Your Arms* (1970) who fantasises of being a great goalkeeper. Some characters, said Potter, "leave you anchorless... They may be self-deluding or extremely self-knowing, but they have a painthrust in their hands and they paint the scenery in around them to fit whatever it is they momentarily feel." Carpenter is sure that Potter here was drawing a self-portrait, and his biography, as a consequence, is conceived of as "a game of hide-and-seek", with the biographer pursuing "the real" Dennis Potter through the tangled forests of his extraordinary life.

It makes for an uneven but always engrossing read. Carpenter deals at length with Potter's real and alleged infatuations with the female leads of his plays - such as *Blackeyes* Gina Bellman and *Lipstick* On Your Collar's Louise Gormaine - but he is disinclined to separate fact from fiction. He is better on

the intermittent relationship between Potter and the producer Kenneth Trodd - a creative partnership described by a colleague as having been "forged in pain and conflict," with "Dennis willing to dish the abuse, and Ken willing to absorb it" - and on the final few days of Potter's life when, after losing his "dear, darling, tender and steadfast wife Margaret", he struggled on to replenish his estate for the benefit of his surviving family.

What remains most vivid, however, is, as Carpenter's subject would doubtless have wished, the work: *Pennies from Heaven*, *The Singing Detective* and the extraordinary *Blue Remembered Hills* - plays which showed that television could engage just as well as it could distract. When one thinks back to him giving his 1993 MacTaggart Lecture, seething at those "croak-voiced Daleks" who "somehow or other have swallowed whole and unsalted the kind of humbug-punctuated pre-privatisation manual which is being forced on British Rail or British Coal", or sitting awkwardly under the hot lights of the studio the following year, sipping champagne with liquid morphine chasers and insisting, yet again, that broadcasters treated people like citizens rather than consumers, one does not find it difficult to miss him. "Potter's loyalty to television has been lifelong and absolute," wrote Nancy Banks-Smith. "I will always love him for making me feel it mattered."

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BOOKS

A wit from the sincerity belt

Patti Waldmeir finds much to enjoy in P.J. O'Rourke's jaunt around the global economic village

By all rights, P.J. O'Rourke ought to have been born somewhere else. Not, dear Lord, in Toledo, Ohio, the most earnest of American cities, part of the sincerity belt which girdles middle America.

He ought not to have been born in the baby boom, that satire-free age which gave us earnest radicalism in the 1960s, sentimental parenthood in the 1970s, political correctness in the 1980s, and retirement paranoia in the 1990s.

So from an end-of-century, middle-American point of view, O'Rourke is *sui generis*. He operates in a market where demand grossly exceeds supply: the American wit market. It's simple economics, really. O'Rourke has scarcity value.

His new book, *Eat the Rich: A Treatise on Economics*, will again do its bit to shake the thirst of the wit-parched masses. Heaven knows there has been little enough wit about, at least since the president's sex life stopped imitating daytime television and became the stuff of

prime-time impeachment drama.

The new book is "about" economics, just as previous ones (*Parliament of Whores*, *Give War a Chance*) have been "about" politics, but all are about the same thing, really: absurdity. O'Rourke is at his best when roaming the world firing comic one-liners at targets of egregious nonsense. From the buy-and-sell order-strewn floor of the New York Stock Exchange (where O'Rourke finds the much-maligned art of littering still revered by stockbrokers) via Albania ("the only country ever destroyed by a chain letter"), and Russia (where "men wear three-piece suits with stripes the width and colour used to indicate no passing on two-lane highways") to Tanzania (whose government cannot even decide where its capital is), O'Rourke

lampoons the global economic village.

He tells us the book has a serious purpose: to answer the question: "Why do some places prosper and thrive while others just suck?" That question passes for serious despite the post-adolescent phrasing. He even has a serious go at solving that riddle – not to the great benefit either of the reader's knowledge or entertainment. Many of his conclusions are facile (freedom equals wealth, the libertarian creed); and the burden of serious meaning hangs sometimes heavy on his prose.

Still, if *Eat the Rich* occasionally reads like economics for simpletons – and puerile similes at that – even the savvy old FT reader will find much to laugh at. At its best, the book is really a kind of economic travel-

ogue – whether O'Rourke's voyage takes him no further than Wall Street, or to the far end of the econo-cultural spectrum, Tirana.

His trip to Wall Street yields a particularly timely rumination

EAT THE RICH: A TREATISE ON ECONOMICS
by P.J. O'Rourke
Atlantic Monthly Press \$14.
246 pages

on what happens when the Tinkerbell market (whose value exists only so long as we believe in it) falls out with the Goldilocks economy. "When we own any financial instrument," O'Rourke patiently explains, "what we basically own is an opinion. That opinion is a price.

Think of the stock market as an endless Gallup poll." One could surely do worse than that.

O'Rourke even dispenses his own version of a stock tip: "What you should really do with your money is watch me. That is, watch what the baby boom does. We baby-boomers have caused everything since 1945. We'll keep buying stocks until we retire. But when we hit 65, we're going to sell stocks. And the stock market is going to go down. And we're going to get ourselves. The math is simple: 1946 + 65 = 2011. Buy stocks until 2011, and then buy bonds [adult incontinence pads]."

Having probed the satirical possibilities of what he calls "good capitalism" on Wall Street, O'Rourke moves on to skewer the absurdities of "bad capitalism" in Albania, "good

socialism" in Sweden, and "bad socialism" in Cuba.

His portrait of the economic nonsense which is Cuba is enough to make one weep (between sniggers). "Traffic in Havana was mostly a matter of bicycles and pedestrians who had grown so used to empty streets that someone who looked both ways before crossing was probably a paranoid schizophrenic," he writes. "There were, however, still traffic police, hundreds of them, one on almost every corner doing God knows what all day. And traffic rules were completely in force, though stop-lights were burned out and street signs were illegible with corrosion." He fills his photo album with snapshots after snapshots of such patent absurdities. The portrait which emerges is vintage Third World surreal.

From the planned to the planless, O'Rourke moves on to Russia, with a chapter entitled "How (or How Not) to Reform (Maybe) an Economy (If There Is One)". And thence to Tanzania, where we learn "How to Make Nothing from Everything".

O'Rourke puzzles long and hard over the poverty of a country where, among other things, the average citizen receives just 2.14 pieces of mail per year. He concludes that Tanzanians are poor because a) "they planned it" and b) "we've paid them to be" (by providing western aid for Tanzanian socialism). Now, he says, the west should leave Tanzania, and its "cool animals", alone.

The book's dustjacket (written, as usual, by the author – and if not, he should have written it) gives us *Eat the Rich* in one sentence: "The free market is ugly and stupid. Like going to the mall; the unfree market is just as ugly and just as stupid, except there's nothing in the mall and if you don't go there they shoot you." The intersection of wit and wisdom – in O'Rourke's world.

Fiction

A wartime madeleine

A chief concern of this novel is the relationship between Charlotte Gray and her old soldier father, a first world war veteran. The course of the novel eventually leads his psychic war wounds and those unconsciously inflicted by him on his daughter during her youth. It was the war of *Birdsong*, Francophone Faulks's previous novel, which crippled Charlotte's father emotionally, and we are reminded of that strikingly brilliant novel when Gray walks in his native Highlands and is "inspired by the beauty of the open landscape, the sound of birdsong from the bright sky."

The reader alights on this image, and it transforms into the taste of a tea-dipped madeleine. There is more than an occasional reference to Proust, and Faulks seeks to emulate his admired mentor in "making his places universal by the familiarity and attentiveness with which he described their individual characters." The Pre-Raphaelites showed us that by attention to detail, the ordinary becomes extraordinary. Faulks excels at this.

The convincing detail of Charlotte Gray's story, set mostly in Vichy France in 1942-3, is superbly described. There is no doubt about the authenticity of the smallness of a Hurricane on take-off, armed with its four Hispano cannons and four 350lb bombs "bounding on plump wheels" along its uneven runway. The village of Lavaurette in south west France, with its Café du Centre, is clearly visualised and just as clearly projected on to our imaginations. Its dilapidated grand house, the Domaine, is lived in by an old Jew converted to Roman Catholicism, a hero of Verdun and more patriotic than many Frenchmen.

Charlotte Gray, a fluent French speaker, is recruited as a British courier who is parachuted into France to supply and support parts of the disparate, feuding Resistance movement. Having performed her immediate mission, she disobeys orders from her control in G section and stays in order to track down her lover, a pilot, one of the surviving Few, who has been brought down in enemy-occupied territory.

It is, amongst other things, a romantic quest novel and in this its real, central interest lies. She is in France when the Germans over-run

CHARLOTTE GRAY
by Sebastian Faulks
Hutchinson £16.99, 400 pages

the Free Territory and, caught up in the life of Lavaurette, she is witness to the Nazi persecution of the Jews and the collaboration of some of the citizens of the Republic. The latter are written about with some realistic insight: they have the usual reasons. "We do what we are told," "If it hadn't been us, they would have got someone else to do it." Faulks articulates chillingly the collaborator's view, "I have a wife and family... to think of before any Jew."

If nothing else, *Charlotte Gray* gives the lie to the preposterous contention that novelists should only write about their own experiences. As he so successfully did with the trenches of the first world war in *Birdsong*, Faulks similarly evokes the atmosphere of the second. He captures its sufferings and ecstasies, whether in blacked-out London, occupied Paris where in the Metro faced with German troops, young Frenchmen "mounted a counter-offensive of Gallic charm," or in the infernal transit camps and cattle trucks reserved

for yellow-starred Jews. Novelists are masters of the imagination. Faulks is beyond doubt a master, and one who at some distance, can admire Churchill's statesmanship and the sacrifice of British youth for themselves and Europe: "What providence of leadership... what desperate days of hunger young men staggering to their flimsy planes on all-grass airfields" which "so narrowly turned away the catastrophe."

Even so *Charlotte Gray* is muted by comparison with its forerunners. It lacks the convincing passion of *The Girl on the Lion D'Or*, and the gripping tension of *Birdsong*. On a few occasions its effects are melodramatic, a Vichy villain behaves yawningly stereotypically. "He walked over to Charlotte and grabbed her jaw in his right hand, twisting her face from side to side." This is quickly followed by a typically Freudian cliché of the Hollywood scenario. Newly armed with a Milice revolver, the collaborator "pushed the gun against her hip-bone." At other times, the reader is given too much about the political development of Vichy France, risking the temporary impression of novel turning into textbook.

Charlotte Gray finishes quietly, its characters fading unostentatiously into a misty future. The grail has been won and the love story ends happily. As well as the romance and the anguish, we remember Faulks's aside: "the height of bad manners is to sleep with someone less than twice," his mention of Oxford and a college where publication by the fellows was viewed as vulgar, and Gayral, the Lavaurette bar-owner, a startling dry wit, the more legendary for being unexpressed. The details delight.

Brian Martin



A young Brazilian girl with her doll in 1936: one of 138 dramatic black-and-white images in a retrospective of the work of one of the 20th century's most courageous and respected photographers, Margaret Bourke-White. With a text by Sean Callahan, the book (*Pavilion*, £40) ranges from her earliest industrial photographs to her celebrated portraits of Roosevelt, Stalin and Gandhi and studies of Buchenwald, South African coal mines, Soviet Russia and the impoverished streets of India

Shrinking the distance in time

Jon Turney on the first virtual community and the unlikely origins of high-speed communication

Once, distance in space also meant distance in time. On larger scales, it still does. If Alpha Centauri exploded tomorrow, we would have no idea for over four years. But for earth-bound events, communication is now effectively instant.

If there is a real shift in human affairs here, when did it begin? With the advent of satellite relays for television and telecommunications, perhaps, when Marshall McLuhan first described the formation of a global village? Or with the transformation of the internet by the world wide web, giving anyone online instant access to almost everything, at least in theory?

No, much earlier, says Tom Standage. Ignore the hype about computer networks and consider the first technology which could reliably transfer information over long distances faster than a horse and rider.

The electric telegraph, born in the 1840s, quickly wove its own world wide web. Within 30 years, there

were messages flashing around the globe. First distant cities were linked with posts and wire. Then undersea cables spanned the oceans. Local networks of pneumatic tubes were integrated with the telegraph in busy commercial centres.

Stockbrokers, merchants, diplomats and journalists all became dependent on instant information. Commentators lauded the annihilation of time and space and predicted a new era of international understanding. And there were tales of telegraphic fraud and telegraphic romance to humanise the new technology. The Victorians, in short, had their own internet.

Standage is a good storyteller, and provides an engaging account of the rise and fall of the telegraph. Roughly the first half of his book chronicles the struggles of the pioneers of electric telegraphy, and the problems of turning an idea into a working technology when the theory needed was poorly understood. The rest sketches some of the social effects of what became one of the great symbols of progress of the Victorian age.

He plays up the parallels with the internet for all they are worth. They include exaggerated hopes and fears, as well as the growth of fast-

changing subcultures of codemakers and breakers, hackers and hustlers. And he is convincing when he suggests that some Victorians, at any rate, were online in our sense of the word today. Interestingly, though, the people who fit the bill were the telegraph operators, who do seem to have become a virtual commu-

THE VICTORIAN INTERNET: THE REMARKABLE STORY OF THE TELEGRAPH AND THE 19TH CENTURY'S ONLINE PIONEERS
by Tom Standage
Wendlandt & Nicolson £14.99, 216 pages

nity, rather than the regular users. They could converse with anyone else up and down the same line, strike up friendships, trade gossip, score points off newcomers. But their community, small in numbers though widely spread, quickly faded away as they were de-skilled by improvements in the technology and finally automated out of existence.

Standage's narrative is thoroughly entertaining but, although he puts his case with great verve, his argument that there is nothing new under the sun is too

selective. Sure, the origins of high-speed information transfer mark an important change, but there are other factors to consider aside from sheer speed. Two at least have changed so much in the internet era that they probably represent real breaks with the past rather than just adding more bells and whistles to a technology based in Victorian principles.

The first is that the internet abolishes distance in terms of cost as well as time. Once you are connected, you pay no more to send mail to the other side of the planet than to the next street. As you cruise the web, all the links between sites are equivalent, no matter where they are.

The second is that every contemporary equivalent of a telegraph machine has enormous power to store and process information, rather than simply send it on to the next station. Again, the most important effect is that it does not matter where that information is kept. Your computer will give you outward indication whether you are reading an article in the *Britannica* off a compact disc slid into the machine or off a website many miles away.

We simply don't know what the ultimate effects of all this, of the internet as a universal publishing medium, will be. There are always parallels with the past worth exploring – with the history of the book, of radio and television, and yes, of the telegraph. But however instructive the similarities, we should not let them obscure genuine novelties, however hard they may be to pin down.

The trouble with fabulism – especially, as with Ben Okri, when it trembles on the edge of all-out, knock-down fabulistic-clothes – is that the whole often fails to equal the sum of the parts. Novels like Okri's can become tiresome and fatiguing, no matter how wondrous the invention or poignant the prose.

Okri has won a fistful of prizes, not just the Booker, which he won seven years ago for his third novel, *The Famished Road*, but also the Crystal Award of the World Economic Forum, which cited his outstanding contribution to the arts and to cross-cultural understanding. At the same time one has to wonder whether Okri, who is not yet 40, has anything to say, or room in which to grow, given the wearying familiarity and formulaic approach of his latest novel, which continues the story which started with *The Famished Road* as Azaro, the spirit-child, encounters fresh adventures on the eve of Nigeria's escape from colonialism.

Almost certainly the cycle is far from ended, for on the last page Azaro awakes to discover that the country's much delayed elections are at hand, elections that will seal the fate of the unborn nation.

Okri's writing is hauled for its intelligence, tenderness, poeticism and luminosity. But his technique can be curiously reliant on near-incessant list-making. Everything, almost every paragraph, is based on lists.

Early on, a group of women force their way into a police station to demand

Further down the same road

the release of Azaro's father. Two policemen come running out with batons, but the women overpower them and storm into the labyrinth of the police station where they find the cells bursting with faces that are like forest carvings: the faces of those who battled tirelessly against the colonial order; of the hungry; of

INFINITE RICHES
by Ben Okri
Phoenix House £16.99, 352 pages

murderers; of pickpockets from creeks deep in the country; of money-doublers from towns not mentioned on any maps; of armed robbers from tribes whose numbers are very small and whose languages are dying out of usage; of the half-insane, and of the downright insane; of university professors who had woken from their idealistic dreams to find the promises of independence betrayed in advance, and who had spoken out with all the brashness of those unused to the brackish waters of politics.

At its best, Okri's list-making can be extraordinarily moving and inspired, as with the best chapter in the book, in which the colonial governor-general,

reworking the history of his country's involvement in Nigeria, is touched with a sudden perception of the beauties of Africa. He remembers attending a ceremony deep in the jungle at which he was made chief of a tribe in return for a favourable decision in a boundary dispute; he remembers the smell of chicken blood, and the sweating, bare-chested men of the tribe whose virility excited him.

He rhapsodises about Africans' "love of music, their unscientific thinking, their explosive laughter, their preference for myth over reality, for story over fact, for mystification over clarification, for dance over stillness, for ecstasy over contemplation, for metaphysics over logic, for the many over the one."

In the novel's key passage, the administrator observes that it is only when all the diverse peoples of the earth meet and learn from and love one another can they hope to begin to get an inkling of the awesomeness of the full picture of humanity: "One aspect of our destiny on this earth may be to discover something of that grand image... of our collective souls, of our immense possibilities, our infinite riches."

Okri is an important writer because of the startling clarity and determination of his humanism. It is just a pity that he seems in danger of disappearing beneath the waves of fabulistic cloudiness.

Michael Thompson-Noel

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Dutchmen in Delft

William Packer on an artist unjustly overshadowed by Vermeer

Pieter de Hooch, the son of a bricklayer, was born in Rotterdam in 1629. He served his apprenticeship, it seems, at Haarlem, in the studio of Nicholas Berchem, a painter of idealised Italianate landscapes with figures. In style he owed little to his master, however, following at first such painters as Teniers, Steen, Brouwer and van Oostade with their low-life scenes of tavern, guard-room and bawdy-house. By 1652 he was in Delft, possibly under the patronage of Justus de la Grange, a merchant whose business failed within a year or two. De Hooch married in 1654, and was prominent enough to be admitted to the local painters' guild in 1655.

From his work it would seem he remained in Delft until about 1660, though nothing more is heard of him until 1661, with the baptism of a daughter in Amsterdam. He stayed in Amsterdam for the rest of his life, working to commission but living always in the poorest parts of the city, never able to afford a house of his own. In his later years, his work shows a marked falling-off, and nothing at all is heard of him in his last seven years before the final note of his death, in 1684, in the lunatic asylum at the age of 54.

Such pitiable circumstances belie the essential nature of the work. For in de Hooch we have the great celebrator of the calm, unchanging domestic round, the mother about her daily tasks, the child playing at the door, the window open to the world to let the sun shine in. And it is in those few short years in Delft that we see him, still in his 30s, coming truly to himself within this genre, matched only by Vermeer, his

near contemporary and fellow resident in Delft.

Neither was exactly first, for the brilliant Carel Fabritius, a pupil of Rembrandt in the early 1640s, was also in Delft and working towards similar ends when he was killed when the city's powder magazine blew up in 1654. This putative link between the young Rembrandt, with his small, unidealised domestic interiors of biblical themes, and de Hooch and Vermeer at this critical juncture in their early careers - de Hooch still looking to low-life subjects; Vermeer still painting figure compositions on a larger scale - is tantalising.

Delft was, and still is, a small place and, looking at these artists' work, it is hard to believe they did not know each other. The trouble is that Vermeer is so rare a special case, his genius beyond question. Only when brought together, as at the Hague two years ago, does the work reveal its inconsistencies. This does not belittle the artist's greatness, however, but only makes it the more interesting for being more human.

With the more prolific de Hooch, who has always stood critically in the shadow of Vermeer, it is the other way about. For here at Dulwich we have what is astonishingly, with some 40 works, the first ever comprehensive study of de Hooch; and what it shows us is an artist, in the four years after 1656, the low-life genre behind him, moving quickly and with increasing confidence to establish his material, and taking a somewhat more difficult Vermeer with him. It is only with the 1680s that Vermeer produced his own

wonderfully mysterious and simple series of figures defined by space and light. Yet already, by 1658, in de Hooch's painting of a sociable company of men and women, we have that high window to the left, the space-defining painting on the wall behind, and room and figures bathed in light.

But who did what first is beside the point. Each is his own man, and in de Hooch, even in his later, more slick and formalised work in Amsterdam, a poor man working for the rich, we see an artist always open and engaged with life - his young woman listening with half-amused intent to a young man reading out a letter; the mistress of the house sucking her child beside the fire as the sun streams through the half-open door. Whether indoors or out, de Hooch is the master of complex space, teased into reality by the play of light and the abstract structure of wall and frame, brickwork and tile, taking the eye in and round, through and out again to a world beyond. And it is the paintings of those last few years in Delft, the young man still hopeful and optimistic, that we see the artist at his truest and greatest. Whatever the ostensible moral of the tale, there is no cynicism, no side, but only an evident joy in the seen world, and a poignant, pressing acceptance of the present, passing moment that touches us still. The child still plays in the courtyard, the visitor still strides up the path, the door is still open to the street outside.

Pieter de Hooch 1629-1684: Dulwich Picture Gallery, London SE21, until November 15, then to the Wadsworth Atheneum, Hartford, Connecticut, USA: sponsored by United Technologies Corporation.



Greatest celebrator of the calm, domestic round: 'A Woman with Children in an Interior' by Pieter de Hooch

German Chancellor Helmut Kohl really really wants a single European currency, even if that does mean sacrificing the Mark, and his favourite food is stuffed pork belly. Rosie Boycott, editor of the Express newspapers, having recently joined and even more recently resigned from The Independent, wants to live in the country and buy a horse. Alan McGee, founder of Creation Records, discoverer of the pop group Oasis and multi-millionaire, believes that a perfect life

would consist of watching football every day. This little gallery of idiosyncrasies becomes clear from programmes shown today, tomorrow and Monday. Produced by three different channels, they have nothing to do with one another except that they all fall into a familiar category: the personal profile which is

Television/Christopher Dunkley

Complimentary views of life

created almost entirely by observing the working life of the person concerned. The German Giant (8.00pm today on BBC2) begins with the fact that Kohl is the longest serving Chancellor since Bismarck, and sets out to show what formed his attitudes and led to his political success. The structure and sources are conven-

tional. Archive film illustrates Kohl's life, beginning during the second world war when he was sent to Berchtesgaden at the age of 14 to begin military training. By then the Nazis were running out of men, presumably. We see familiar newsreel clips illustrating the appalling state of German cities after the war, with one telling bit of film showing the demolition of a German/ French border post in a symbolically pro-European gesture in which, it seems, Kohl joined. Later newsreels show him with a succession of world leaders. Several give interviews for this pro-

gramme - Gorbachev, Bush, Havel and others - though the best anecdote comes from Margaret Thatcher's advisor, Charles Powell. Kohl asked him to convince the Iron Lady that he was no German but a European, but Mrs T. no sooner boarded the plane back to England than she kicked off her shoes and exclaimed "My god that man is so German!" Tomorrow's Cutting Edge Special on Channel 4 (8.00pm) takes a completely different approach to its subject, Rosie Boycott, the first female editor of a national daily paper in Britain. Cameras follow her through the working day, with interviews as she drives to work, lots of elephant-on-the-floor coverage in the office, contributions from both disabled people leaving the paper and loyal types who are staying, and fairly frequent direct but anonymous questioning from behind the camera. The programme virtually ends when The Independent is sold and the new owners decide they do not want Channel 4's cameras around any more.

The edition of Omnibus on BBC1 (Monday, 10.40 pm) is different again. McGee and several of those who have worked for him speak frankly to the camera, and McGee revisits various key

locations such as King Tut's Wah Wah Hut, the rock venue where he first saw Oasis. We hear about his addictions to drink and drugs, his rehabilitation, and his new attitude which involves daily exercise and close attention to diet. All three programmes are worth watching, yet they all leave you vaguely dissatisfied. The Kohl programme deals almost exclusively with the public figure. You do not feel you know much more about the human being, except that, according to John Major, he spends half his life on the phone. Much the most interesting information about Boycott emerges from a few introductory lines in voice-over describing her earlier life in Thai falls and so on. The most significant point about McGee is casually thrown in near the end when it is suggested that his traditionalist television is responsible for the dreadful state of British pop music today.

What seems to be needed with all these programmes is more time, more money, and a more critically inquiring approach. Of course British libel laws create huge difficulties in telling the truth about people while they are still alive. The contrast between these programmes and the revisionist television biographies is striking. But one is also left with the suspicion that programme makers tend to come to like the subjects they work with, and that a little bit of liking can go a long way.

هكذا من الاصل



Poster (one of three) for 'The Spy Who Loved Me' 1977, on sale at Christie's South Kensington next week

Saleroom

Cashing in on a cult

Memorabilia from the James Bond movies should prove a sure hit for the auction rooms, writes Antony Thorncroft

Just when you thought you were safe from any more weary witticisms and convoluted car chases, he's back. It's James Bond, the auction: this time it is very serious.

As the UK's store of important antiques disappears abroad or into museums, the salerooms are frantically searching for new artifacts to auction off. They have hit gold in memorabilia - sports, pop, and now movie - which appeals to a generation of wealthy middle-agers who never quite got round to appreciating genuine works of art. Next Thursday Christie's South Kensington holds the first auction devoted to the James Bond films. It is estimated to bring in £200,000. That sum should be easily exceeded.

James Bond is a cult throughout the world and anything associated with the man, in most of his many manifestations, is keenly collected. This auction is built around one of the largest single owner groups of Bond memorabilia. It has formed the basis of a 272 lot auction which contains some of the most famous icons from the Bond oeuvre.

There will be keen bidding for Oddjob's hat, the steel rimmed bowl which almost did for Sean Connery in *Goldfinger*. Three were made but this is believed to be the sole survivor and should top £25,000. Equally memorable is the taramula from the first Bond film, *Dr No*. The live version, used on top of a sheet of glass on a stunt man's arm, must be long dead but this model was used as its stand-in during rehearsals for the shot. It is

expected to sell for £2,000. Sean Connery and the early Bond films attract the greatest interest and the highest prices, partly

because very little was saved from the sets, but one of the top prices at the auction is likely to be paid for the Lotus Esprit which turned into a submarine when Roger Moore is chased by Jews into the sea in *The Spy Who Loved Me*. It is not a real car, of course, but this "prop" is expected to make over £20,000. It is unusual in that it was being driven by Bond; he was usually chauffeured around by pretty girls.

Apart from the cars the other main feature of a Bond film was the gadgets dreamed up by Q to help ward off the baddies. On offer is the usefully adapted Rolex watch which carries a magnet, that essential accessory for unzipping ladies' dresses. It has a top estimate of £8,000. The suave velvet collared overcoat worn by Connery in *Dr No* might sell for £4,000 and Roger Moore's spruce dinner suit from *A View to a Kill* can be yours for something in excess of £5,000.

The most treasured Bond memorabilia to date - apart from the celebrated rocket-firing, blade-twirling car from *Goldfinger* which

sold to the US for \$300,000 in 1986 and then mysteriously disappeared - are the posters for the films. A rare set of four from *Goldfinger* once sold for £14,950. This auction has a generous selection, estimated between £100 and £1,300. Pierce bidding is expected for a rare Japanese poster for *Goldfinger* - Japanese posters for American and British films have become hot property, and this example should top £700.

Real film connoisseurs, on the other hand, will be bidding for the original scripts of some early Bond films annotated by Berkley Mather, who was asked by Ian Fleming to lighten up

the dialogue. They should make at least £8,000.

As interesting as the contents of the auction is what is missing. There is very little from the Bond girls, apart from a pair of knickers that Shirley Eaton might have worn in *Goldfinger*. Carey Wallace, who put together the sale, would kill (almost) for the bikini worn by Ursula Andress as she rose from the sea in *Dr No*, which she is still believed to own: (Connery, too, is hanging on to many mementoes of his 007 days). Jaws teeth would also sell well. There is much still out there, and the high prices likely to be paid next Thursday should ensure that it is suddenly rediscovered.

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ARTS

A classic puts its best foot forward

As the film 'The Red Shoes' celebrates its 50th anniversary, Alastair Macaulay muses on the parallels of life imitating art

Hundreds of films have included ballet, and several have been about ballet. But there is still only one ballet film that is also an all-time cinema classic: *The Red Shoes*. 50 years old this month. What makes this odd is that almost no ballet fan goes back to watch *The Red Shoes* for its dancing. The choreography of the *Red Shoes* 12 minutes ballet (by Robert Helpmann and Leonide Massine) is without any particular dance interest, and the dance qualities of the

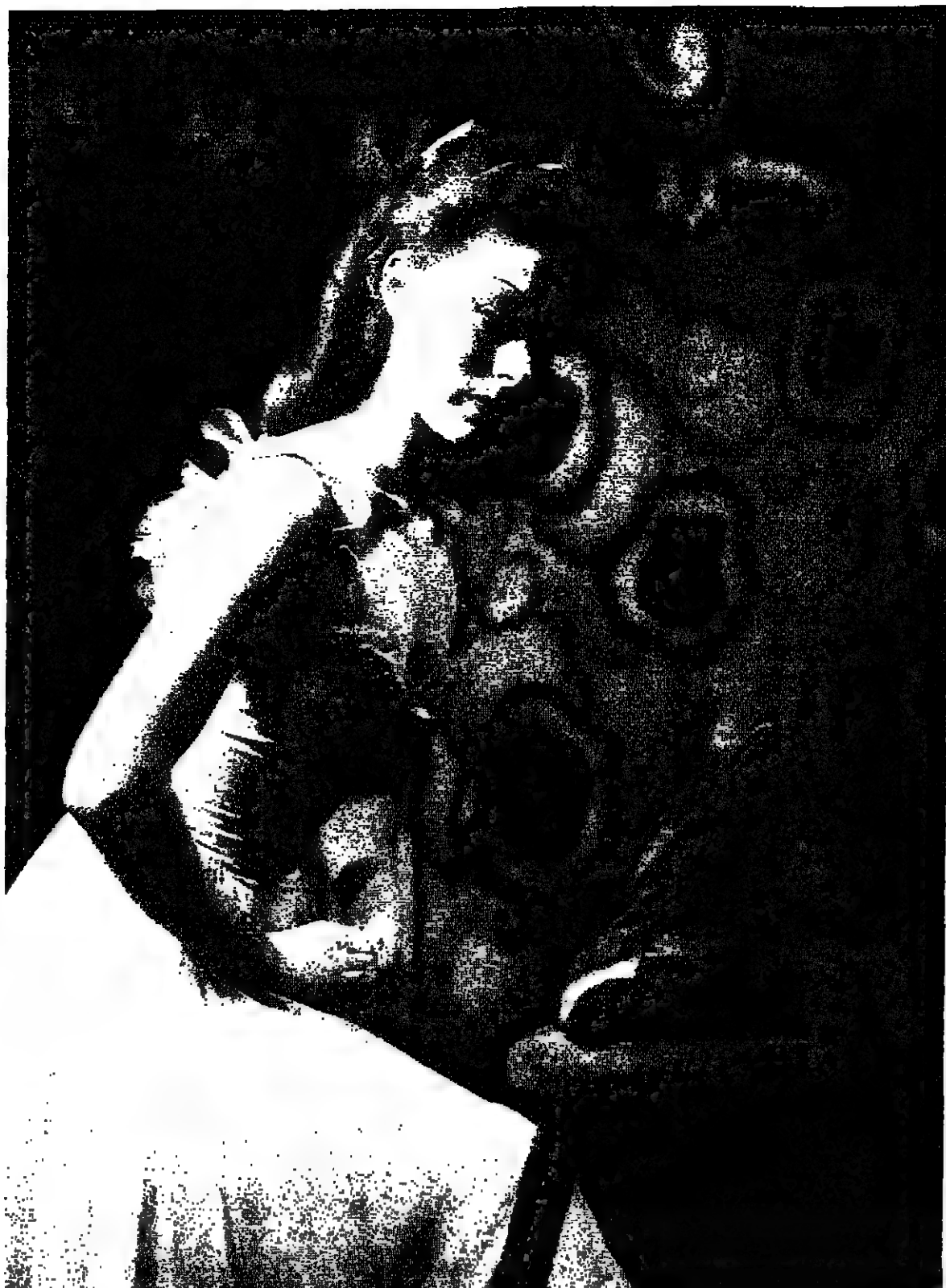
The Red Shoes is all about the ambition behind ballet: ambition that becomes life force.

Victoria, tears pouring through her heavy stage make-up as she prepares to dance *The Red Shoes* again, tells her husband: "I love you, Julian, nobody but you." Julian answers "But you love that more."

"That" means the stage: dancing, the red shoes; pointework... ballet itself. Two minutes later, as Victoria is making her way to the stage, the red shoes she is wearing suddenly exert the same magic force offstage that they are meant to do in the title ballet (and in the Hans Christian Andersen story which is its source): they take possession of her and rush her to her death. Like Puccini's *Tosca* and Tolstoy's *Anna Karenina* combined, she jumps off a precipice onto the Monte Carlo railway track below, just before an arriving train. Her dying words to her husband - in a state of something close to blissful relief - are "Take off the red shoes".

This moment recalls the legend that the last words of Anna Pavlova - who died 17 years before *The Red Shoes* was released - were "Bring me my Swan costume". Michael Powell and Emeric Pressburger, the makers of *The Red Shoes* film, pushed the parallel further. Just as Pavlova's death had been followed by a performance (in Brussels) in which a spotlight marked the path of her famous *Dying Swan* dance around the stage while the music played, so in the film the impresario Lermontov has the music re-play once last time the ballet of *The Red Shoes*, the ballet which only Vicky ever danced. *Ars longa, vita brevis*. A ballerina's life is like a dragonfly's.

In the last resort, however, Vicky wants her husband to take off the red shoes - whereas Pavlova wanted to be reunited with her Swan costume. As Vicky lies there dying, the bruises on her legs look like stigmata. And they remind us of the bruises and the bleeding toes



Moira Shearer: the Tilted red of her hair is as haunting as the vermilion of the eponymous shoes

Kobal Collection

that many ballet dancers endure every day. *The Red Shoes* shows the glamour of ballet, and then strips it away.

Vicky finds love with the composer Julian but Lermontov is possessive and jealous. He dismisses Julian; when Vicky follows her husband, Lermontov does not unbend. Here, the story is a heterosexual version of what had occurred in 1913 between the impresario Diaghilev and the dancer-choreographer Nijinsky, his lover, when the latter married a dancer in the company, Diaghilev's jealousy was atrocious - he fired the Nijinskys and all those closely connected to them.

History repeated itself in 1930, when Diaghilev's next lover, the dancer-choreographer Leonide Massine (who later appeared in *The Red Shoes*) married a dancer and

was sacked. In 1968, the scenario occurred all over again as the New York City Ballet choreographer George Balanchine was preparing to make his ballerina-muse Suzanne Farrell his fifth wife. Instead, she married a young

Diaghilev's next lover, Leonide Massine, married a dancer and was sacked

dancer in the company, Paul Mejia. Balanchine, stunned, promptly deprived Mejia of all his roles; Farrell and Mejia defied him but left the company. Balanchine would often

echo Lermontov's speech in the film, when the impresario watches from the wings as *Giselle* is danced onstage: "I'm not interested in the form of any prima ballerina who is imbecile enough to get married... You cannot have it both ways. A dancer who relies upon the doubtful comforts of human love will never be a great dancer. Never."

But it is Lermontov who becomes the real hero of the film. He is a Svengali figure, a sinister kingmaker, but he is also a creative artist with pathos. And ambition. In Anton Wallbrook's performance, his mixture of burning intensity with absolute restraint makes a highly potent impact. He has no sexuality, but he can be seductive. And - like Satan offering Christ the world lying beneath them - he appeals to Vicky's ambition: to the side of Vicky that is

unreproducible, rather than to the side she has in common with other women.

The Red Shoes is a movie about art and life. But, for several of the artists involved in it, art and life turned out quite differently. It is especially hard to believe that Moira Shearer herself gave up full-time ballet in the 1950s, got married, had children and now writes books and book reviews. In interviews in recent decades, she invariably says that ballet is an altogether more limited form of expression than drama or fiction. You can agree or disagree with her about this, but the shock is that she - Moira Shearer, legendary heroine of the greatest ballet film in history - now talks this way. More successfully than most retired ballerinas ever do, she managed to take off the red shoes.

through in *Frontiers*, the excellent series on scientific research. A recent issue dealt with research into the effects of extreme cold on the body. Mention was made of the experiments perpetrated by Nazi doctors on the inmates of concentration camps, a reminder of the most obscene nightmare of our century. But should the undoubted information they gained be considered tainted by the means of acquiring it? Or should it be regarded as a tribute to those who suffered to make it possible? The tightrope between the evasively mealy-mouthed and the patronisingly pitying is narrow.

One name whose work stands out is writer-adaptor Don Taylor. Following his recent jolly *Decameron*, the Classic Serial slot aired his version of William Golding's *Rites of Passage*. The inexorable unfolding of repressed emotions, social tensions, humiliation and guilt, claustrophobically festering in a post-Napoleonic sea voyage to Australia, was ideally cast (Sam West the young aristocrat, Simon Russell-Bell as the mocked person whose revealed weakness has tragic consequences), directed with just the right amount of atmosphere, including marvelously apt music, and respected the conventions of Golding's formal dialogue so as to make the average historical fiction sound crass. A beautiful job.

Theatre in Paris Party politics versus the human touch

Nicholas Powell on a revival of Sartre's 'Les mains sales'

Fortunately for his theatre, even a thinker as single-minded as Jean-Paul Sartre, provincial philosophy teacher turned novelist, playwright and France's most famous post-war "existentialist", was as mixed up as the rest of us.

Witness his stage masterpiece, *Les mains sales*, which is a political violence and prophetic of cold war struggles, the play provoked a sensation when it was first performed at Paris's Théâtre Antoine in 1948. Being both the work of Sartre the self-hating middle-class humanist and Sartre the Communist fellow-traveller who never dared sign up, it comprises both sympathetic fleshed-out characters and right-thinking Marxist mouthpieces.

After years of neglect, *Les mains sales* has just been revived in the same theatre. After starting off sounding like a lesson in Marxist-Leninist dialectics, it swiftly evolves into real gutsy drama and is proving the biggest theatrical success of the season.

Highly respectful of the original text with its old-fashioned warts and all, director Jean-Pierre Draval sets the play within a multi-purpose, minimalist set, neither particularly post-war nor strictly contemporary.

In the imaginary Baltic State of Illyria during the last war, the impossibly idealistic 21-year-old Hugo - "I left my family the day I understood the meaning of repression" - is a middle-class Communist Party recruit. Convinced politics is a precise science, married to a woman outside the Party and infatuated with the hard-bitten, ideologically correct Party stalwart Olga, Hugo is sent on a mission of which no-one believes him capable - to murder Hoderer, a Party magnate on the point of concluding an alliance with Nazi-sympathising nationalist and royalist leaders.

Hired as secretary to Hoderer, and burning with the need to prove that a mere

"intellectual anarchist" such as himself can obey Party orders and do a dirty job like a real working-class man, Hugo comes to realise he rather likes his prospective victim and cannot shoot him.

Fearing Hugo has betrayed them, his comrades try to bomb Hoderer, who is eventually shot by Hugo, but only after the latter finds him messing about with his wife. Sexual jealousy, an irrational theme which Sartre handles as rationally as the rest - thus becomes the motive, but not one worthy enough for Hugo. He returns to his comrades and, disgusted by their political turnabouts and compromises, gets machine-gunned for his pains.

Briллиantly elaborated, that very mechanical framework (bar some laborious debate between Hugo and Hoderer's thuggish guards about class origins and class struggle), comprises many clever dramatic twists and turns, plus a true sense of tragedy and - astonishingly for the austere Sartre - a good deal of humour and human insight.

Bright-eyed as a puppy, Hugo (Yannick Debain) is also weighed down by that gloomy idealism characteristic of late adolescence. By comparison, his wife Jessica (Charlotte Valandrey) is all bubbles, wit and irreverence. Olga (Marie Lenoir) can do little more than have others do her thinking for her, while Jean-Pierre Kalfon as Hoderer is a magnificently ambiguous mix - a Brylcreemed, chain-smoking Party official in an ill-fitting suit who has seen it all.

"Me, I've been up to my elbows in blood and shit. Do you imagine one can govern innocently?" Hoderer asks, proving, ironically, to be far more of a humanist, underneath his surface cunning and cynicism, than Hugo. Hugo, meanwhile, held in high esteem by Hoderer, receives advice Sartre must have intended for himself: "You, you're good at writing. Words, words, always more words!"



All bubbles, wit and irreverence: Charlotte Valandrey in one of the hits of the French theatre season

Merc's latest mini is anything but super

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Most pointless interview of the week: the *Today* item on the apparent advance into our native waters of the great white shark. The admirable Sue MacGregor, patiently briefed by duff gen, asked a surprised-sounding Snotsman whether it was likely. Of course, it had been likely for years and years, he replied. And had he seen great white sharks in British waters? No. But he had been involved in shark-related incidents? No. It was a lot of press hype, he muttered. We all (Sue included) emerged from the interview, like the young Omar Khayyam, no wiser than when we went.

It may be that cagey Scots are simply preparing to charge outsiders for information prior to devolution or worse. In Radio 4's *A View*

Radio/Martin Hoyle Blinkered and confused

from Abroad. American writer Lawrence Millman recounted his attempts to visit Foula, an island so small that it is not even on the official Shetland tourist map. He went there in 1967 but a recent return prompted comparisons with J.M. Barrie's elusive Mary Rose, "the island that likes to be visited" - except that Foula obviously doesn't. Several days in Lerwick waiting for a flight, plus a panic-inducing marooning on a bird-inhabited rock while the boatman who had promised to fetch him was in hospital with a stroke, were recalled

with that well-meaning stoicism characteristic of the best sort of earnest American. Millman's memory of the sad look in the puffin's eyes as he wrung its neck for the pot will linger with me and, I suspect, him. And he never made it to Foula, wreathed in its anti-aeroplane mists.

Franks, Lies and Celluloid summed up with exasperating clarity the tangle of issues that results from the clash of professional practicality with political correctness. Film director Alex Cox looked at the portrayal of the disabled in the cinema,

Except that he didn't. He confused the question of our images of the handicapped or physically abnormal with how the profession is run, apparently on the verge of recommending a quota system, not merely of handicapped actors but disabled executives as well.

One sympathised with the victim of spinal curvature as she raged about *The Hunchback of Notre Dame*; but it seems a trifle late to complain of Long John Silver and the Frog Prince (the net was cast wide) as examples of depicting the handicapped as villains. The programme even deplored the media treatment of such heroes as Helen Keller and Douglas Bader, overlooking the fact that these were real people, entitled to be praised for their victories over the odds. As with women, homosexuals and the BBC, threatened minorities react with near-paranoic over-defensiveness when either lauded or criticised.

There were even slightly nutty moments when it was implied that only handicapped actors could play handicapped characters. We

have already seen the unofficial ban on white actors blacking up for Othello; how long before only a genuine hunchback can play Richard III? And - it follows - only a real Scottish mass-murderer Macbeth, a real Dane Hamlet and real Italian teenagers Romeo and Juliet? There was solemn discussion about the propriety of casting John Hurt as *The Elephant Man*, instead of a facially disfigured player, while a movie man piously lamented the fact that there were no quadriplegic stars capable of taking the lead in *Whose Life Is It Anyway?* Nobody mentioned the overriding criterion of professional excellence (in Hurt's case, the costing self-evidently justified). A chillingly blinkered little item, where I found myself surprisingly out of sympathy with many of the speakers - though not with the thalidomide-victim actor dismissed from an audition for a sci-fi film with the disfiguring words that there was no way they would use real mutants. There is reason for real anger, but it boils down to social ignorance and general attitudes rather than professional abuses. Something of the same muddled standards came

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Heavy hit

Stuart Marshall on new

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MOTURING

Merc's latest mini is anything but super

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Get in, turn the key, press the accelerator and... wait. From the moment you climb into the multi-coloured, mini-talented new Smart, driving becomes as unfamiliar an experience as flying to the moon.

Developed for billions of D-Marks by Mercedes-Benz and Swatch, the Swiss watchmaking concern, the Smart has been plugged as a stylish and environmentally friendly answer to the problems of mobility in Europe's traffic-choked cities.

At just 2.5 metres long, it could almost fit in the boot of a big Daimler-Benz limousine. And with claimed fuel consumption approaching 60mpg, it can travel about as far, in spite of its much tinier tank. Even the limitation of having only two seats has been turned into an advantage: Micro Compact Car, the German-Swiss joint venture behind the Smart, claims most journeys involve only 1.5 occupants, making rear seats all but redundant.

In a matter of weeks, drivers in continental Europe will be able to judge for themselves whether the Smart is worth the money behind it. Based on a lengthy drive in Barcelona, I reckon British motorists are probably lucky that MCC decided UK sales would not warrant the conversion costs for right-hand drive.

Cataloguing the Smart's failings is as easy as mistaking it for a squashed post-box. On the

bendy road up to the observatory on Barcelona's Tibidabo hill, a 40-tonne truck would have steered more predictably. The Smart's rear-mounted engine compromises its weight distribution, reducing frontal grip. That makes it worryingly wayward on corners as the front wheels stray into the oncoming carriageway and the low-geared steering resists attempts to correct the drift.

A seemingly comatose automatic gearbox, stifling the performance of the Smart's sprightly 600cc turbocharged engine, is its second big flaw. Manual gear changes become virtually essential to achieve any sort of performance. But the entertainment value of flicking the Smart's unusual clutch-less gear lever upwards or downwards to shift between ratios wears off quickly as working through the gears becomes tiresomely frequent.

A disconcerting instability in cross winds is the Smart's third failing. Its high sides and tiny wheelbase make it susceptible to the sudden gusts blowing across the coastal motorway heading towards the beaches at Sitges and beyond. This is particularly disappointing as the car otherwise feels remarkably confident at speed, even when pushed beyond the electronically limited 130kph its speedometer claims is its maximum.

Many of the Smart's failings stem from the costly last-minute changes demanded by Daimler-



Street Smart developed by Mercedes with Swiss group Swatch, the supermini has novelty and style - but they do not make up for some disconcerting failings

Benz's bosses late last year. Stung by devastating international publicity after their new A-Class, another stubby car, overturned in an "elk test" manoeuvre, the bigwigs were determined the Smart would not suffer the same ignominy and ordered an expensive re-engineering to rid it of any wayward tendencies.

But curing the Smart of its rumoured vulnerability to the elk has created a flawed compromise. The Smart may no longer be unstable in certain extremes. But, as Europe's motoring magazines have declared almost unanimously, deadening its steering and stiffening its ride - just two

of the expensive changes made - has lobotomised the original concept for a nippy, small town car.

MCC, undaunted, says many buyers are less bothered by handling and performance than by novelty and style - the Smart's two strongest suits. In spite of its truncated dimensions, it feels roomy and classy inside. That comes from slightly staggering the two front seats and by using lots of glass, including, for top models, the roof.

Once over the fact that the car's rear bumper is only inches behind the driver's seat, the overall sensation out of the big,

steeply raked front window is of being in a much bigger vehicle.

Some may buy the Smart for its stylish and well-finished cabin alone. Brightly coloured trays fold out for cassettes and CDs. They are complemented by amusing, dashboard-mounted instruments, which cock a snook at the funeral functionality of most fascias. The fact that these, like the sliding plastic panel to block the sun under the glass roof, are pricey extras dulls their appeal, however.

The exterior is almost as unusual. Built around a high-strength steel cage to protect passengers, most of the Smart's

bodywork is made of plastic panels which can be easily removed and exchanged for quick, cheap repairs. This also gives owners immense flexibility to customise the colour scheme. For those not satisfied by the standard palette, MCC is taking a leaf out of Swatch's book by producing some special limited edition exterior panels each year.

Such novelty will enhance the car's appeal to the thousands of people who queue patiently outside Swatch shops to buy its latest timepieces as fashion accessories rather than chronometers. But even if the Smart were not a deeply compromised

car, its price tag of DM16,000-DM20,000 (£5,370-£6,700) - not much less than the cheapest four-seaters - would make even the most dedicated fashion follower think twice.

MCC is confident the numbers stack up. It says sales to daily rental companies and rail operators, which will offer Smarts from stations, will supplement its core business with private buyers. The company plans to build 200,000 Smarts a year at its new factory in eastern France as sales build up after next month's launch. Based on a first drive, it will be lucky to sell half that number.



Making the rough feel very smooth: Chrysler Jeep's new Grand Cherokee will reach Europe next spring

Sports Utilities

Heavy hitters get a grip

Stuart Marshall on new moves among the four-wheel-drive leaders

After a flurry of activity in the lighter end of the four-wheel-drive sports utility market - notably, the launch of the Land Rover Freelander and Suzuki Grand Vitara - the heavy mob is on the move.

Two really big ones, the Nissan Patrol and Toyota Land Cruiser, were recently relaunched with diminished bulk, roomier interiors and more fuel-efficient turbo-diesel engines.

The Isuzu Trooper gained drivability and refinement with a first-in-class electronically controlled, direct injection turbo-diesel offering responsiveness close to what a petrol engine gives with much lower fuel consumption.

Now, as autumn's leaves are falling and thoughts are turning to the possibility of the first hard winter in several years, four more large 4x4s are making their bow.

Chrysler Jeep's Grand Cherokee and the Vauxhall (Opel) Frontera are entirely new versions of well-established vehicles. Apart from a new body and more powerful petrol and turbo-diesel engines, Frontera will have an automatic transmission option for the first time.

Land Rover's bestselling Discovery has been radically re-engineered and modestly restyled, with a new turbo-diesel engine and some clever electronic on and off-road traction aids.

So far, I have driven only Grand Cherokee and Discovery. The Jeep I tried in countryside west of Seattle, in the US Pacific north-west, which is just like the Black Forest in some places, and rural Sweden in others. I drove Discovery in Scotland a few days later, but I am not yet at liberty to reveal details.

Though keen rivals, Chrysler Jeep and Land Rover have always had two things in common. The first Land Rover of 50 years ago was inspired by the wartime Jeep and was very similar mechanically. Both Jeep and Land Rover are convinced that for maximum mobility over the roughest terrain, only rigid axles front and back will do.

Neither Grand Cherokee nor New Discovery looks much different from the old ones; both are instantly recognisable as Jeep and Land Rover products.

Chrysler Jeep has every right to be proud of the new Grand Cherokee. On the highway, it performed as effortlessly and quietly as American

motorists expect. It felt nimble, cornered with minimal roll and without the rear-end wriggle of the old one.

Off-road, it clambered over rocks and tackled slopes too steep to walk up confidently and in great comfort. The interior had a soft, leathery embrace and the ambience of understated luxury of a premium-priced European executive car. Putting the spare wheel and tyre under the load floor has increased luggage space by at least 30 per cent.

Its new 4.7-litre, 235-horsepower V8 is more muscular and a little less thirsty than the previous Grand Cherokee's 5.2-litre engine. Miles per gallon (or litres per 100km) can hardly be a big issue for Americans. They pay just over \$1 a US gallon for unleaded petrol, equal to 17p a litre.

Automatic transmission of surpassing smoothness is standard - there is no manual gearbox option. Alternative engines are a 4.0-litre, 195-horsepower in-line six-cylinder and, for Europe only, a 5-cylinder, 3.1-litre, 140-horsepower turbo-diesel, also with standard automatic transmission.

As with most 4x4 sports utilities, Grand Cherokees will spend far

more time on road than off it, but owners insist on all-wheel drive traction. If only to pull a boat trailer up a slippery ramp or reach a snow-cleared main road from an icy driveway.

Jeep's new Quadra-Drive transmission senses when wheels start to spin and concentrates engine power on those with most grip. Even if only one tyre is biting, a Grand Cherokee will keep moving. And, unlike some automatic 4x4s, it does not tend to run away on cliff-like slopes. Keep your feet clear of the pedals and it winds itself down as slowly and safely as a manual transmission 4x4 in low first gear.

European sales of left-hand and right-hand drive petrol-engined Grand Cherokees start in May 1999, the turbo-diesels following in October. "Fiery competitive" British prices are forecast by Richard Mackay, managing director of Chrysler Jeep Imports, who has seen UK Jeep sales climb spectacularly, year on year, since the first version with right-hand steering arrived in 1992.

"A Grand Cherokee will absolutely everything will cost less than an entry-model Range Rover," he says.

Pentagon rescues dazed drivers

Alexander McGregor tries out in-car navigation

Traffic on the San Francisco freeway system can be daunting, a seemingly unending motorised cavalry charge that leaves the uninitiated visitor in a state of terror, searching vainly for the right exit to his destination.

Now such blind fear can be consigned to oblivion. Nobody visiting the Bay City or several other metropolitan centres in the US has any valid excuse for losing his or her way. The solution? A satellite-guided navigation system developed originally by the US Defence Department in the closing stages of the cold war. Here in my rental car, next to the gear lever, is the domestic, peacetime spin-off - a little television screen which houses the NeverLost in-car navigation system.

The NeverLost screen displays a red pinpoint showing the area I am traversing. But this map service originates in outer space through a signal bounced from one of 24 so-called Global Positioning System (GPS) satellites.

The pinpoint charts the car's movements with frightening precision. This should come as no surprise since, in a previous incarnation, the satellites helped to track Russian missiles.

Now, in its more mundane application, the NeverLost navigation system demonstrates that it is not simply a geek with a glowing face by suggesting the most efficient route to my chosen destination. Once I have punched in the start and finish co-ordinates of my journey, the NeverLost tells me how to get there. First, directions come up on screen, with exact distances and how many turns I must make to reach my chosen destination.

Not content to prescribe the route, as soon as the car starts, the machine issues instructions urging me to "prepare to turn right". The digitally generated voice makes the NeverLost sound slightly slurred. And while the machine is hardly chatty, this must be the only map system that directs you

as you go with cautions about a "left turn ahead" and an instruction to "take next freeway exit". If you have overshoot, it intones: "Please make a legal U-turn", over the serious adult conscience in the car.

Quickly it becomes a sport to find if you can beat the machine by discovering a more economical route. It is a time-consuming pastime, and, like computer chess, the only way you can win is by cheating. If you ignore the recommended route, red lights on the screen shine and the machine bleats apologetically.

If you ignore the route, red lights shine and the machine bleats

I was assured that NeverLost is not a "trackable" system, which means the antenna is receiving information but not giving out my "co-ordinates". But I was still concerned about being linked to the same satellite used by the US military. I kept imagining a malfunction which confused my co-ordinates and led to me, the car, and a large section of the highway being mistaken for some military target.

The biggest practical difficulty with NeverLost is that you still have to drive. The screen and its colourful maps are mesmerising with detailed information, but you still have to keep your gaze above the dashboard long enough to negotiate the surrounding traffic.

And while NeverLost may be as near as you can get to creating a system that would permit a blind man to drive, it is not good at warning about Stop signs or traffic lights. You have to recognise and negotiate these by yourself.

At present, the greatest advantage of the NeverLost system is that you don't have to drive in circles looking for the rental drop-off point at the airport.

NeverLost lives up to its name and tells you unerringly how you can return your car.

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How to Spend It

Fashion

What to wear for winter, possums

Fur collars are back, and long skirts. Vanessa Friedman tells us what else is in

It's time to stop window gazing. Time to stop magazine flipping. Summer is over, holidays past, warm weather no longer an acceptable excuse for procrastination: the hour of fashion reckoning is upon us.

In other words, there are no more reasons to avoid thinking about your autumn wardrobe. And the thing to think about in your autumn wardrobe is sportswear. Specifically, think American sportswear. Even more specifically, think American movie stars of the 1940s: think Lauren Bacall and Katharine Hepburn. Think long, loose and easy; clean, classy and comfortable. And if you think that doesn't sound English enough, consider that all of autumn's key shapes can slide seamlessly into anyone's existing wardrobe.

Then, when you are ready to start buying, head for the following:

□ **The Long Trouser Skirt.** This is the most important piece for autumn, appearing in every leading designer's collection and combining the femininity of a dress with a tougher, cooler edge. The skirt can reach anywhere from a few inches below the knee to the ankle, be in tweed or wool or felted cashmere, hang straight or slightly A-line, but it must include a trouser-placket front and the requisite side or back pockets.

The appeal and modernity of the look lies in its marriage of a great pair of pants with the unrestricted movement of a skirt. Gucci, as usual, led the pack, with eminently desirable "cargo" versions in black or cream wool (knee length, £370; ankle length, £410); Armani and Ralph Lauren likewise showed chic designs, the first in wool, the second in a white stretch cashmere mix (£276 and £498, respectively).

Cream and khaki are the colours of choice, cream for luxury and khaki for practicality and the fact that it will still be an important shade next spring. For those sceptical of the floor-sweeper length but willing to experi-

ment, there is a brown heringbone by Burberry for £140 and a pepper-and-salt tweed version by Dorothy Perkins for £30.

And for those still sceptical (why buy a trouser skirt when trousers themselves are an option?) - the pants to choose are either straight-legged and loose or baggy, cargo versions. Ralph Lauren did the most luxurious version in white cashmere mix (£528), but Mase's, the original manufacturer of cargo pants for the US Air Force, offers a thick cotton version in loden green and deep navy (£85) that would be an effective addition to any wardrobe.

Remember, proportion is

There are no more reasons to avoid thinking about your autumn wardrobe

key, and longer bottoms look best with smaller tops; they are as important for night as they are for day, which brings us to...

□ **The Beaded Skirt.** Forget evening gowns, forget slip dresses; in the era of ease and elegance, there is nothing more easy and elegant than a beaded skirt. Indeed, a beaded (or sequinned or satiny) skirt is all you really need for dressing up; its length and decoration are what makes it modern.

Armani, not surprisingly, did a mouth-watering example (£3,000), as did Elspeth Gibson, with her beaded sweep of a skirt encrusted with tiny gems (£295).

In a shorter version, Marni has a hit on its hands with its slightly bohemian cranberry satin version, ringed with sequins (£185). Indeed, if you're going to add any colour to a clothing palette, which should be as muted as

the winter sky, the colour to add is any shade of red.

The beaded style is a look guaranteed to translate to the high street, and Oasis is already offering a beaded viscose-chiffon (£50). To wear on top: a simple jumper. But within that category, the choices are vast. Which brings us to...

□ **Knits:** The best piece to top off the long skirt is a sweater, and the newest shape is chunky, evocative of hand-crafting and weekend outdoors. Cashmere is still everywhere, but wool and mohair are also options. Gaultier won kudos with his Peruvian/Fair Isle knit, in Alpaca with a dash of mohair (£238), which would look particularly chic over a long trouser skirt.

An urbane alternative is Sonia Rykiel's long cable cardigan/jacket with fox collar that could go easily from day to evening over a more flirty skirt (£870), or Hermès' deceptively simple and lust-inspiring cream cashmere with removable funnel collar (sweater £240, collar £178).

Similar separates - but cheaper - are available from Karen Millen (long black cardigan/jacket with fox collar, £150) and Jigsaw (cream cotton turtleneck, £49). But the twin-sets which have become staples need not be relegated to the back of the cupboard just yet: they would work well paired with either of the longer skirt styles.

Indeed, Matthew Williamson's airy turquoise cashmere version fringed with cashmere twists (cardigan, £800, long-sleeved under-shirt, £400), or Elspeth Gibson's loden green beaded cashmere duo (cardigan, £389, short-sleeved sweater, £378) would be worth considering.

To upgrade a pre-existing, unadorned twin-set, consider buying a beaded or fringed scarf and simply draping it around the neck.

In general, suit jackets should be avoided - they contradict the easy message of the maxi skirt - unless absolutely necessary, in which case the only real choice is a round-shouldered.



□ Left to right: white cashmere rolneck, £266, and stretch cargo twill pants, £225, both from Ralph Lauren. Black leather mules, £175, by Louis Vuitton. Brown wool and cashmere coat by Ann Demeulemeester, £235, from Browns. Turquoise cashmere sleeveless top, £275, and cardigan, £500, by Matthew Williamson from Browns. Hand-beaded skirt by Giorgio Armani, £10,000. Black wool cargo skirt, £410, by Gucci. Alpaca and mohair jumper by Jean Paul Gaultier, £238, grey flannel pumps, £250, by Manolo Blahnik

short-waisted style as epitomised at Chanel (about £1,000) and Miu Miu (£230, in red).

Blouses are an option, and again, think menswear, and start at Gucci. To go on top? It's simple...

□ **The Maxi Coat:** Winter's cover-all should cover all, literally. Coat lengths have dropped along with hems, and smartened up along with skirts. The most wanted coat this season is single-breasted, floor-length, and in the most impractical shade of all: white. Ann

Demeulemeester offers a classic in brown (£885) and in leather (£1,065), but at a tiny percentage of the price there is also a Fenn Wright and Manson version in boiled merino wool (£190). The pea coat is also an option, but even more au courant is Philosophy's slightly funnel-neck three-quarter length wool flannel (£297). And that leads us, finally, to...

□ **Accessories:** Other than a long skirt, the most important element of this season's wardrobe is a flat shoe. In

fact, the long and the flat go together like, well, the great and the good. As Donna Karen said: "The biggest no-no is high heels with a long skirt." Choose Louis Vuitton's flat-as-a-pancake slides, Manolo Blahnik's grey flannel mules (£250), or Jimmy Choo's kitten-heeled Mary Janes (£250). Also worth taking a look at: L. K. Bennett's red velvet slippers (£29.99) and Ravel's tweed Mary Janes (£40).

Instant wardrobe updates come from the mere swath of a fur stole (no, it doesn't

preferably one fabricated in crocodile or sequins. If you can't get your hands on the classic Hermès or Fendi styles (and given month-long waiting lists and four-figure prices, most of us can't), there are great steals to be found in the Osprey "croc" (£245), the Harvey Nichols mock Kelly (£125) and Jamin Peuchs truly delectable paley sequinned tote (£185).

ADDRESSES:
Gucci, 18 Sloane Street, London SW1 (0171-255 6707); Giorgio Armani, 37 Sloane Street, SW1 (0171-235 6232); Ralph Lauren Collection at Polo Ralph Lauren, 149 New Bond Street, W1 (0171-491-4957); Dorothy Perkins, 189 Oxford Street, W1 (0171-494-3769); Mase's at Liberty, 210-221 Regent Street, W1 (0171-734 1284); Marni at A La Mode, 36 Hans Crescent, SW1 (0171-634 2133); and

The most wanted coat this season is floor-length, and in the most impractical shade: white

Joseph, 77 Fulham Road, SW8 (0171-823 9500); Elspeth Gibson, at A La Mode as before, Harrods, Brompton Road, SW1 (0171-730 1234) and Liberty, as before; Oasis, 13 James Street, WC2 (0171-240 7445); Gaultier, at Harvey Nichols, 109-125 Knightsbridge, SW1 (0171-335 5000); Sonja Rykiel at Browns, 28 27 South Molton St, SW1 (0171-514 000) and Harrods as before; Karen Millen, 17-19 Noel Street, WC2 (01622-684032); Hermès, 179 Sloane Street, SW1 (0171-623 1014); Jigsaw, 126-127 New Bond Street, W1 (0171-491 4484); Matthew Williamson, at A La Mode, Browns, Joseph and Harvey Nichols as before; Chanel, 26 Old Bond Street, W1 (0171-493 5040); Miu Miu, 123 New Bond Street, W1 (0171-408 0900); Ann Demeulemeester at Browns; Philosophy, 205/206 Sloane Street, SW1 (0171-235 2349); Fenn Wright and Manson at Fenwick of Bond Street, 63 New Bond Street, W1 (0171-629 9161); Louis Vuitton, 17/18 New Bond Street, W1 (0171-399 4050); Manolo Blahnik, 49-51 Old Church Street, SW3 (0171-832 8622); Jimmy Choo, 20 Motcomb Street, SW1 (0171-255 6008); L.K. Bennett, 81 Brook Street, W1 (0171-491 3005); Ravel, 184-188 Oxford Street, W1 (0171-534 3800); Marks and Spencer, 458 Oxford Street, W1 (0171-935 4422); French Connection, 249 Regent Street, W1 (0171-590 3600); Dai Rees, to order (0171-364 9616); Osprey and Jamin Peuch at Harvey Nichols, as before.



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How to Spend It



Inspiration for Lagerfeld's 'Vive la Bagatelle' spring/summer 1997



The 'Pirates' collection autumn/winter 1991-92 was widely copied



Vivienne Westwood: described by Jane Mulvagh as the single most important innovator in fashion in the last 20 years. Portrait: Neil McManus

The creative madness of Queen Vivienne

Her clothes promise fetishism, freedom and romance. Lucia van der Post is fascinated by an unfashionable designer

Vivienne Westwood is one of the most intriguing figures in fashion. By turns maddening and fascinating, she has been a seminal influence on almost every fashion designer working today. Though widely perceived by the public to be irritatingly eccentric, few in the fashion world doubt her importance.

Manny Silverman, for instance, a British entrepreneur who took over the house of Norman Hartnell, believes "she has not left any major designer unscathed because she is able to recognise the future before anyone else, albeit in an exaggerated way". John Fairchild, proprietor and publisher of *Women's Wear Daily*, cited her as one of the six most important designers of the day, along with Saint Laurent, Ungaro, Armani, Lagerfeld and Christian Lacroix.

And yet, as Jane Mulvagh's warmly sympathetic biography of Vivienne Westwood (subtitled "An Unfashionable Life") points out, while the other five were collecting villas, yachts and expensive works of art, Westwood, though no longer living the hand-to-mouth existence that she did until as recently as 1983, is still riding a bicycle and living in a

council flat. Somehow her huge talents have not been translated into mainstream success. Mulvagh's biography goes a long way to helping us to understand why.

From the beginning, her creativity seemed to spring from perversity. She couldn't help it - her every instinct, every natural intuition, inclined her towards an iconoclastic view, not just of fashion but of society.

Clothes without a message were meaningless decoration. She believes that true creativity springs from scepticism and that too great a dependence on tradition is lazy and leads to repetition.

That, coupled with her refusal to embrace the practicalities of her trade properly to consider price points, and fit, finish and delivery dates, as well as her insistence on taking what Mulvagh calls the line of greatest resistance, have meant that she was hard to help.

The list of those who tried - from the late Jean Bunnell, a friend and a PR who gave her time and her imagination free, to Sir Alastair and Lady Romilly McAlpine, who tried to raise money to give her solid backing, and many others, all of whom were ultimately rejected or rudely treated for their pains - makes sorry reading.

Her strengths were her single-mindedness, her absolute commitment to her own idea and vision of what fashion was all about, but they were also what prevented her succeeding in worldly terms. As Christian Lacroix, who admired her commitment to designing according to her own strict ideology, put it: "In... a world when everybody is struggling in such a fake way - just all for money, just for fame or just for love - it's a treasure to be so faithful to one idea," but this inevitably means that "in a way, she will be marginal for ever".

Mulvagh puts her finger on the appeal that Westwood's clothes have for many women. "They combine the promise of sexual self-determination with high romance and traditional femininity. Her clothes combine fetish, freedom and romance, and suggest that perhaps you can have it all."

She was irresistibly drawn to the decorative and the complex. Her most successful collections were nearly always the most romantic - she brought a feminine voluptuousness to an era that was weary of the over-honed, androgynous shapes propounded by more mainstream designers.

Her 1981 Pirates collection, for instance, was first taken



The voluptuous 'Portrait' collection autumn/winter 1990-91

up in a small way by Bloomington and by Joseph, who found himself reordering the quiggle-printed shirts every week, making it "one of the most successful shirts I've ever sold in 25 years of retailing". Its influence was

soon to be seen in almost every fashion emporium in the UK. Underwear as outerwear, now a mainstream fashion trend, was first seen in Westwood's 1982 Buffalo collection, while the fashionably

frayed and fringed tweed so entrancingly deployed at present by Karl Lagerfeld for Chanel, was being explored by Westwood two seasons ago.

There are those, though, who persist in believing her clothes to be unwearable. They see her as a pioneer offering extreme designs which others then tame down and render wearable.

In 1993, for the fashion page of this newspaper, Mulvagh set out to show just how false this was. She took five women to Westwood's shop and asked them to comment on her latest collection. It was fascinating to discover that though they all arrived believing her clothes to be too eccentric for their taste, when they actually looked at them and tried them on all but one ended up buying.

Anna Somers Cocks, editor of *The Art Newspaper*, probably summed up her appeal best when she told Mulvagh: "Her clothes are the transvestite idea of what a woman should look like converted back into what women can wear."

To her critics, her historicism is too absolute, her cultural pretensions too absurd, she is prone to grandiose views and sees her work as performing a vital social service in criticising "the world

in which we so miserably live".

Mulvagh clearly believes her most creative years are over. The combination of rich historical illusion coupled with a genuine dash of street-edge, transmuting the clothes into something at once rich in symbolism and yet utterly contemporary was unique. These days, though, she seems to copy too precisely.

Though she criticises her fellow designers for ransacking the styles of the 20th century, she does almost exactly the same thing but simply from a more distant past. She seems not to have responded to innovations in fabric and textures and continues to use her heavy tweeds and duchesse satins.

Much of the book is a sad tale of deals gone wrong, opportunities lost, hopes dashed - her most bitter blow was her failure to succeed Gianfranco Ferré at Dior - personal relationships gone awry. I would like to have learned more about how the business grew from a turnover of \$500,000 in 1983 to nearly £15m at the beginning of 1996 and £20m in 1998.

Westwood herself, according to Mulvagh, is curiously indifferent to material wealth. Provided she had enough to live on and was

allowed complete creative freedom, she was content to allow her ex-lover and now manager, Carlo D'Amario, to manage the business and grow rich.

But ultimately one is left with the abiding feeling of a sad, isolated yet hugely talented woman. The contradictions in the person - the combination of arrogance and lack of self-esteem - are made manifest in the clothes which embody paradox, being "sentimental and subversive, violent and romantic". Therein lies their special power.

There are those who believe that fashion designers need no books to explain their doings, that the clothes should speak for themselves. I disagree. To the business of fashion and Vivienne Westwood's role in it, Mulvagh brings an informed eye, a knowledge of the history of dress, and an intense interest in the subtle codes that define the clothes we wear.

Nobody could read this book and not understand more clearly why it is that Westwood continues to interest and infuriate in equal measure and, in a larger way, why it is that clothes are of much, much more than passing interest.

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FOOD AND DRINK

Ups and downs of soufflé-baking

Kevin Pilley tries to rise to the occasion when his dessert-making skills are put to the test

For centuries man and soufflé have been sworn enemies. Put a man in the same room as milk, sugar, salt and eggs, and you have the basic ingredients of a culinary catastrophe.

Attempting to make a soufflé can reduce a grown man to tears. It can humble, humiliate and terrorise. To cure this irrational fear, one of France's top pastry chefs has started what he believes to be the world's first residential soufflé school for male soufflé-phobics. He is also planning the second World Soufflé Cooking Championships at the beginning of November.

Jean-Pierre Lallemand, the chef du cuisine and proprietor of the award-winning L'Assiette Champenoise restaurant, in Reims, Champagne, now offers a special cooking break in which he guides his male pupils through the intricacies of cooking soufflés. He teaches them to confront and conquer their worst fears about the dish. His is, insofar as cookery weekends go, a test of manhood and virility which

touches the heart of man's competitive nature. Learning to make a soufflé is not only all about who has the biggest but who can keep his up the longest. A man must rise to the occasion. Even when he is wearing an apron.

"If you master the art of making the soufflé, you can master anything. Grasp the soufflé and you will have the confidence to cook anything," says Lallemand. "It is a notoriously hard dish to cook well. Soufflés are very temperamental. You must show them love and respect. The perfect soufflé should taste like biting into a cloud."

Competitors, professional and amateur, are invited to register for the Soufflé World Cup.

Guests on men-only cooking breaks at L'Assiette Champenoise must cook their own des-

serts. They learn how to do everything from an elementary trifle, an intermediate gâteau - and an advanced soufflé with all the trimmings.

A soufflé is the ultimate cooking challenge. "You have a one in three chance of making a good soufflé. That is why I like my classes small. Somebody should get it right," says Lallemand. "There is an added pressure, too, in knowing that you are not only cooking for yourself. But for your wife also."

Last year's inaugural Soufflé World Cup was contested by a local balloon pilot, a jeweller from the south of France, a civil servant from Normandy and a British journalist - me.

Hands were washed, aprons donned and battle commenced, with the chef showing contestants a soufflé that he made ear-

lier and talking them through it soufflé intimidant.

Making the dessert involves all the typical male qualities - courage, athleticism and patience. As well as a flute. Kicking off with

In an example of soufflé sabotage, my whisk was tampered with

a flute of champagne is vital. It settles the nerves.

"It is not a Yorkshire pudding," explained chef Lallemand, casting a sidelong glance across his kitchen and, metaphorically,

across the Channel. "It is an objet d'art. Today you will create a baby. You will father a dessert. For a man, this is a vital accomplishment. A man must be able to cook and to be able to cook he must cook desserts. The soufflé is the king of desserts."

Within moments of separating my allotted eggs I had fallen foul of some rather cynical French soufflémanship. My mix had been noddled. Behind my back either Francis, Michel or Jean-Marc had filled the sugar bowl with salt.

In another example of soufflé sabotage, my whisk was tampered with occasioning the end to fly off every time I used it vigorously. This meant I wasted valuable moments trying to retrieve the handle from the other side of the kitchen and scraping the tasty sauce off the walls.

The master pâtissier kept a watchful eye on our progress. "You must relax. Or the soufflé will sense it. The soufflé is an animal. It can sense fear."

Before my mix had shown any signs of setting it was time to put our creations into the oven. I remonstrated, but in vain. For the next 12 minutes we paced up and down like expectant fathers. Personal and national pride rested on the outcome. Would our champagne-based concoctions hold up to serious critical scrutiny from the resident masterchef? Would the eggs take hold? Would the soufflé rise and would it stay risen?

The oven pinged and its door opened with the noise like the crack of doom. Six semi-decent soufflés were visible but there was a UFO - unidentified baking object at the back. I knew

immediately that it was mine. It was unmistakably British. It was the way it was smoking rather pitifully.

As my fellow competitors dipped their fingers and made satisfied sucking noises and experienced the feelings of euphoria and fulfilment only successful soufflés can give, I experienced the complete collapse of self-esteem.

Michel Joyot was crowned the world soufflé champion. Laying a consoling hand on my shoulder, Jean-Pierre offered me some philosophy: "Le soufflé is a metaphor for life, mon ami. You must learn to take the ups with the downs. Keep practising. It will happen for you one day. Now, how about trying your hand at fruit salad?"

For further information about soufflé holidays and the soufflé world championships, contact: Champagne Connection, 9 rue Thiers, 51100 Reims. Tel: +33 3 26 37 89 13. The next soufflé weekend runs from November 6 to 8. Cost: FF550 (£55) per person sharing room.

Cookery

The family that cooks together, looks together

Grandparents' day is coming soon. Philippa Davenport recommends some joint action in the kitchen

Charities and commercially minded public relations companies have hijacked nearly every date in the calendar. There are hardly any ordinary days left, what with Red Nose day, Fathers' day, Potato day, Apple day and hundreds more for "good causes".

Newest - or, at any rate, new to me - is Grandparents' day (no apostrophe on the press release, which will upset quite a few grandmothers and grandpas, I dare say). According to the blurb, the occasion has been "created by Age Concern to celebrate the role of grandparents in society".

Scheduled for September 28, special cards will be on sale in high street stationers, and the young are reminded that grandparents love to receive homemade gifts "such as peppermint creams and marshmallow krispies".

Sorry to be a spoilsport, but I cannot help feeling it is a mistake to encourage would-be young cooks to devote their energies to conjuring up cute and unnecessarily sugar-laden fripperies when both generations could join forces in a shared kitchen session to cook a proper meal. More effort but more rewarding for both parties, too.

Sunday lunch would be ideal. It is a time-honoured occasion for relaxed family get-togethers, and, according to recent research carried out for The Good Food Foundation, children rated traditional Sunday lunch highly when asked what they would like to be taught or helped to cook.

Perhaps Age Concern Grandparents day campaigners and the organisers of The Good Food Foundation could liaise? The latter apparently plans to launch a campaign this autumn called, I am sorry to say, Operation Nosh. Hideously named, but brimming with good intentions, its main aims include encouraging families (children, parents and grandparents) to cook together, and a call for the reinstatement of proper cookery on the school curriculum, instead of reducing it to a minor element in other courses.

True Leith, spokeswoman for the foundation, has said "the apparent apathy among the young about food and cooking is, I believe, all about lack of opportunity. Anyone who has ever taught hands-on cooking to children will tell you that they love

it. I have never met a child yet who did not." I agree.

However, I would add that, although teaching food shopping, cooking, nutrition and hygiene in schools is good, learning such lessons in a domestic context is doubly valuable because it strengthens family relationships, as well as developing life skills.

In Italy, and other countries where families still eat together most of the time, cooking is not part of the school curriculum. Children automatically take an interest in food and cooking, they learn about it at mother's and grandmother's knee. Knowledge and a natural feel for cooking

course, and most children enjoy it, if they are encouraged to take an active part and discuss the purchases, rather than tag along without being consulted.

As for the menu, given the season, I suggest it centres on a leg of home-grown lamb. Roasts are always popular and even small children can help and the meat with slivers of garlic. If that is to the family's taste, then rub the fat with salt to encourage a crisp finish. If the joint is set on a rack (maybe with a sprig of rosemary slipped under it), it will not sit in its own fat and juices and will not need basting.

Roast potatoes are a classic accompaniment but they make the pan heavier, can spit and do need basting. You may prefer to opt for mash (which is much better for mopping up gravy). Perhaps the best mash to go with lamb is a 50-50 mixture of mashed potato, and sliced and steamed leeks whizzed to a buttery purée with green coriander. The last of the runner beans, or courgettes, or finely shredded and steamed cabbage (with more coriander) are other vegetable suggestions. Mint sauce and redcurrant jelly have their fans, while a little chopped mint stirred into barely melted redcurrant jelly, chilled again until set, is an easily prepared alternative trackless that neatly combines two favourite flavourings.

If you fancy something lighter than a roast, I suggest poaching an organic chicken. If the bird is trussed, I untrust it (to encourage even cooking). I cut off the parson's nose (too fatty) and the scaly legs if they threaten to protrude above the dish without any trusting to hold them down. Put the bird into an oval flameproof casserole (a snug fit ensures rich-tasting chicken broth for supper) and pour on hot (not boiling) water top to cover the thickest part of the thighs. No need to immerse the breast; if the lid fits tightly, the breast will cook to perfection in the rising steam.

Add the scaly legs (to give flavour and texture to the broth), a little salt, some peppercorns and a sprig of tarragon. Bring to a rapid simmer, skim, then cover and let it cook very gently for about one hour, with barely a burp bubbling to the surface, until the meat is sufficiently tender to wobble a leg when pulled gently away from the carcass.

Accompanying vegetables are probably best steamed or boiled in a separate pan: carrots and courgettes cut into sticks, shredded leeks and whole or thickly sliced Pink Fir Apple, Charlotte or Ratte potatoes. Moisture the veg with a few spoonfuls of the satiny chicken broth for serving, and hand round bowls of a lively sauce to dress everything, for

example a herb-laden shallot vinaigrette or sauce vierge (skinned, seeded and diced tomato vinaigrette spiked with garlic, lemon, basil and chervil).

Favourite autumn puddings which can be cooked (or reheated) while the main course is served, include Victoria plum or apple and blackberry crumble. A topping that includes more almonds than flour, and a little ground cinnamon, is especially



If there is strong resistance, poach for a little longer.

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Favourite autumn puddings which can be cooked (or reheated) while the main course is served, include Victoria plum or apple and blackberry crumble. A topping that includes more almonds than flour, and a little ground cinnamon, is especially

good with these fruits. Ice-cream goes as well or better with crumble than custard or cream.

If you prefer fruit pure and simple, try a salad of melon chunks with halved and seeded green grapes such as Italia, and sliced bananas. Bathe the fruit in a very lemony sugar syrup and add a few shredded melissa (demon balm) or mint leaves for an aromatic finishing touch. Shortbread fingers or other crisp

little biscuits go well on the side. Finally, Sunday lunch should end with good British and Irish farm cheeses. In the UK, it is too early for proper frost-bitten celery but if you are lucky you might find the first of the new season's cobs and hazelnuts.

Foods like these are generally enjoyed by people of all ages. Learning how to choose and prepare them will stand any young cook in good stead.

Appetisers

Waltz away the cream scones

ensured that all the company's champagnes have been noted for their elegant, floral finesse - still present in the newly released 1991 vintage, like the 1967 a tribute to Polignac's capacity to make fine wine even in an unimproving year. But now he has developed two untypical wines - Apanage and Summer-time.

Apanage is an attempt to make a slightly more solid wine which can be drunk with a meal's first course - as well as an aperitif. Summer-time - launched to the music of George Gershwin, natch - is a blanc de blancs, made from Chardonnays from all over

the Champagne region. Apanage, a sturdy, blackberryish wine, would be capable of tackling any sort of fish, while Summer-time has more flesh and roundness than many blanc de blancs.

Summer-time, retailing at £22.99, is available through Percy Fox (tel: 01275-626801) as is Apanage (£25.99).

Nicholas Faith

Half a dozen years ago in Agen, the plum and prune capital of France, I was introduced to *mi-cuit* plums - ripe fruit so lightly processed that it is at the halfway stage between plum and prune. The result was arguably finer than both.

This autumn, specialist food importer Merchant Gourmet is importing *mi-cuit* plums to the UK. These are less plummy than the *mi-cuit* I remember, probably because they are pasteurised and packaged for long shelf-life. I would describe them as very good, very fresh fleshy plums.

It would be a shame to cook with them but I like the idea, suggested on the packet, of enrobing them with best bitter chocolate to serve with after-dinner coffee. Unfortunately, the samples were gobbled up before I could put this idea into practice.

Look out, too, for *mi-cuit* tomatoes, newly imported

from the same region by Merchant Gourmet. An agreeably soft variation on the often leathery and sometimes oversalty sun-dried tomatoes.

PD

The Peninsula hotel, Hong Kong, is 70 in December and to mark the occasion it has transformed its Cantonese restaurant, The Spring Moon, into a replica of a 1920s Shanghai dining room. It will open seven days a week for lunch and dinner. Chinese afternoon tea will also be served at £9.60 per head. Tel +852 2315 3160. Jill James

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Edmund Pennington Howard and James Robinson on the 100

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**Edmund Penning-Rowsell and
Francis Robinson on the 88s**

Take two: the Pourceal twins maintain stunning quality on their menu, but the dining room design leaves something to be desired

Nicholas Lander meets the Pourcel twins, whose Montpellier restaurant faces modernist challenges

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1995

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Cantemerle
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OUTDOORS

Gardening

Don't get cut up about cuttings

Make it easy, rather than awkward, on yourself, says Robin Lane Fox

Good plantings in large pots are looking their best in a September crescendo. Gardening like this admirably suits our style of living and impatience.

Over the past 10 years, we have learned to grow more than conventional geraniums and to pack a variety of plants into pots and allow them to spill out like natural flower arrangements. They make a garden for an urban terrace and they even allow you to take the garden away if you have to sell to cover sudden losses. We have also learned to feed pots frequently to prolong their display. You can tell a well-fed pot from an idly managed one by looking at the relative results this September weekend.

But many of us are still shoppers rather than gardeners. Shoppers buy on impulse and treat plants like disposable decoration. Gardeners want to perpetuate them and multiply them in the process. The final lesson of the season is now waiting to be learned. This weekend is an excellent time to take cuttings of almost anything which has been flowering its head off.

The taking of cuttings still alarms people and you can see them thinking they would be better off spending £3.50 next year

on the ready-made article. They miss a great pleasure and one of nature's wonders. It comes in two styles, the easy and the awkward. Each is more accessible than it was 20 years ago.

The easy category includes most of the half-hardy plants which look so good just now. Verbenas, salvias, penstemons, heliotropes, blue-flowered felicias and almost anything with silver leaves are easy candidates on which to practise. For this group, I bless the modern existence of Perlite. It is a light, white, sterile expanded volcanic mineral with nothing vegetable or animal about it. It does not decompose, so you can track it in the garden. I add it to a standard potting compost, although a mixture of medium moss peat and fine potting bark in equal parts is also widely favoured.

The Perlite helps to hold water but also improves the drainage and keeps the compost light and

dry. Silver-leaved plants seem to love it, just as I love them. It is excellent for most of our modern potting favourites and is extremely easy to handle. Mix it in with the compost when it is still dry. If you water it first, it becomes lumpy like a health-conscious breakfast cereal. All the hebes, angel pelargoniums, fancy lavenders and sun roses root very happily in this airy mixture.

Cuttings from all these plants are best taken from shoots which have not flowered. Take them, if possible, where a softer shoot joins the harder main stem. They need to be no longer than 3in and the bottom leaves should be removed. Always prepare the soil and Perlite first and only then start cutting bits off a plant. Cuttings should never be kept waiting or left in their ultimate enemy, sunshine. If they have to wait take them straight to a polythene bag, put a few drops of water inside and seal it. For that

reason, polythene bags are useful companions when you visit friends with good gardens.

The cuttings go into a pot so that they do not touch and are buried for up to half their length.

Verbenas, heliotrope, penstemons and salvias are easy candidates

Be sure that they sit firmly, and do not make the classic error of plastering them with an overdose of powdered rooting hormone before firming them into the soil. A slight dip of rooting hormone is helpful, but an overdose slows down the success rate. If the cutting is wet at the tip when

you put it into rooting hormone, it is certain to pick up an overdose.

Easy cuttings are happy in a light place, but I like to keep mine under those convenient plastic propagating hats; the ones called the Stewart propagator are convenient as they have a small ventilator. When the cuttings start to grow away, you open the ventilator and a few days later take off the hat. Under a Stewart, cuttings need to be watered fairly rarely.

At Wisley, I have been introduced to another recent blessing, a companion for reluctant rooters. Rockwool comes in cubes rather like fudge and has made its name as a material for insulation. It has now interested gardeners because the cubes of rockwool are sterile and drain quickly when watered, helpfully filling the resulting spaces with air. A high ratio of air to water seems to suit slow-moving cuttings. I

rooted my first successful batch of ceanothus in rockwool.

Plants with small evergreen leaves are happy in small blocks, whereas the bigger-leaved garrys or photinias need larger cubes so their leaves will not touch as you fill up a whole block. Watering is key to the art and I have yet to master it fully. Anything with silver leaves needs less water, but most shrubs should go into rockwool, which is wet throughout and is kept quite damp as the medium drains quickly. Under a Stewart hat, let alone in the greenhouse, rockwool needs to be watered regularly in the early days.

It is extremely satisfying when roots start to show through each fudge-like cube. Three or four will poke through the side and then you can pot the plants on into a standard compost. One trick here is to be sure to bury the rockwool cube because it will draw water from the rest of the

pot if left above soil level. The rockwool is extremely easy to handle and is thoroughly guaranteed to be worm-free for the sake of squeamish beginners.

In the old days, rooting of many evergreens was slow and often rather difficult. If you can be bothered with rockwool, you should be surprised at the scale of success in a short time. I have friends who swear by it when rooting the indispensable Osmanthus, such an excellent informal evergreen hedge, and also for coping with the variegated rhamnus, another hedger and wall shrub which is a personal favourite.

Admittedly, it takes a few years from a rooting in rockwool to a serious show in the garden, but there are not that many options nowadays for turning a few pence into an item worth about £7, even in the space of five years. The finances, of course, are secondary, whereas the central return for the amateur is the sheer pleasure at seeming to be so clever and working in co-operation with nature's miracle.

Rockwool can be ordered by post from Nutriculture, Unit B1A, Town Gate Works, Maudesley, Lancashire, or from Growth Technology, Freemantle House, 21-23 Priory Avenue, Tain, Somerset.

Within these warm walls

The walls - built of local North Yorkshire brick in the 1750s - were once almost covered in ivy up to a height of 18ft; now apricots, peaches, apples, pear and plum trees grow against them.

In the summer of 1994, only the four dilapidated wooden glasshouses, abandoned since 1980, showed above the rampant thistles and nettles. The couch grass penetrated 20in beneath the ground surface and needed repeated sprays of systemic weedkiller.

Where vegetation had to be cleared using a flamethrower there is a children's garden where guinea pigs, rabbits and bantams roam. Beside it a white garden is half complete.

The creative spirit behind this rescue is Alison Ticehurst, a JP, doctor's wife, and former nurse. She lives four miles from Helmsley Castle, the ancestral home of Lord Feversham. After the first world war, the walled garden and the castle had been let to tenants. The castle is now in the hands of English Heritage, but the Duncombe Park estate retains responsibility for the garden.

Coincidentally, the former farm shop closed the week the Ticehursts moved to the area in 1981. "Where am I going to get my vegetables?" she wondered.

But it was not until 1994 that Ticehurst wrote to Lord Feversham, negotiated with his agent and took a 25-year lease on the five acres; the estate retains responsibility for the walls, bothies - now converted into craft workshops - and a conservatory café.

"The aim," says Ticehurst, "is to recreate the garden as true as possible to old ideals. Unfortunately, the original plans were burnt in a fire at the house, but we have rediscovered the paths which had been dug up in the second world war."

There is now an extensive soft fruit growing area, from which gooseberries, blueberries, strawberries, raspberries and currants are sold at the gate and, together with salad crops and vegetables, to local pubs and restaurants. Jellies and jams are made and sold in a workshop and used in the café.

Winters in Helmsley are typically cold and bleak: "We are in a frost hollow," says Ticehurst, "but we open the gates in the bottom wall to let the frost out. It seems to work." The walls retain heat and the temperature inside the garden is 2°C higher than it is outside - "even when a blizzard is blowing". The result is that the growing season is advanced and

prolonged and varieties indigenous to the north are grown, such as Lanes Prince Albert and Rev W. Wilkes cooking apples. Flowers are grown for their scent - and for cutting and drying. Cardoons and tussels make wonderful decorations - "fortunately, my head gardener is also a florist," says Ticehurst, "and we make a lot of Christmas wreaths."

When work on the garden began in earnest in October 1994, one of the four glasshouses had to be demolished. The Victorian cast iron mechanics were salvaged and re-used for opening the roof lights of the small conservatory café, at the entrance to the garden.

The oldest greenhouse, the newly reopened vine house, dates from 1850 and was designed by Michael Rochford, a pioneer of glasshouse technology. One of the others still has plastic sheeting on the roof and serves as the sales area for a wide range of plants, all of which have been grown from seeds and cuttings.

The finest of the glasshouses is a skeleton. Helmsley Walled Garden Ltd, which has been accepted as a charity, is applying for European funding for a grant towards the estimated £100,000 needed to restore it.

"A lot of people think I am totally dotty but we had to act. We couldn't just let the garden die," says Ticehurst, who has already sunk £100,000 of family funds into the project. "I know that I am not likely to see any return for a very long time. If at all, but at least the project is becoming financially viable. For the last two months, receipts have exceeded outgoings."

However, her immediate task is to raise the money needed to gain the European grant. "So far we have received only small grants from public and charitable bodies," she says.

"We are seeking a household name prepared to support us. By funding the enterprise myself, and not worrying if I personally do not make money out of it, financial pundits tell me I have gone about things in completely the wrong way. Nevertheless, it is all coming together. Something had to be done, and despite a few hiccups, along the route we are well on the way to completing the task."

Helmsley Walled Garden is open 10.30am-3pm daily until the end of October and from noon to dusk on Fridays, Saturdays and Sundays from November to March. Tel: 01439-771427.

Clive Fewins



In 1994, Helmsley Walled Garden in North Yorkshire still looked like this (above); now, thanks to the efforts of Alison Ticehurst (below), it is productive and blooming again



With the arrival of the Poet, we were seven, which reminded me of an old book for children, called *Now We Are Seven*, by A.A. Milne or E.F. Benson or someone else with two initials.

In addition to the Poet, there was myself, and the Greedy Brother, who eats for Britain, and the Sleeping Brother, who snoozes rather than fishes and provides commentary, there was the Champ - so named because we thought he held the world record for an obscure African fish, only it turns out he didn't - and my friends Stevie, keenest of fishermen and one of the largest, and Mark, urbanity and good manners personified, though excessively fond of golf.

For some years we had held a dinner and talked fishing. This year we thought we might actually fish together. But who on earth, in their right mind, with the right sort of fishing available, would willingly subject themselves to such an excursion?

I hesitate to suggest that the friends who did so are not of sound mind. I can only assume that they were actually happy to share their precious corner of north-west England with us. They put us up, kept us nourished on a sumptuous scale, and - best of all - just let us get on with it.

I had told the others that this was the best wild brown trout fishing in the UK, which I believe it to be.

But as the Champ and I stood on the bridge and looked down, the words were ashes in my mouth. The water was the colour of tea with a dash of milk, and going like a train. Alas, I reflected bitterly, for those dreams of gentle breezes, murmuring water, sipping trout: and

for those who organise fishing trips.

Accompanied by the son of the house, we went down to the fishing hut and then wandered despondently upstream. Suddenly, the black cloud of despair was riven by a gleam. One of the great joys of this place is that there are two rivers: the big river, and a princess among tributaries.

And while we saw that the big river was thick with filth, the lesser was running clear: fiercely full of water, but fishable.

Back at the hut, supplies were being unloaded: much beer and wine, pies, salads, bowls of fruit, heavy cheeses. The other members of the party assembled, the Poet beetle-browed and muttering about life's irritations and



the petty functionaries who put them there. We stuffed ourselves, and the sun showed for a moment. Then we went fishing, apart from the Sleeping Brother, who went to sleep.

I have had better trout fishing there. But what we got was not bad, considering the conditions,

and bordering on the miraculous, considering how it had started. We had to work hard, and some worked harder than others. The Champ seemed to do well the first day (his obsessive self-deprecation can make it hard to tell), and went sight-seeing the next. The Poet confounded his reputation for angling non-achievement by finding a Poet's Corner and catching good trout in it (he subsequently wrote a poem, but I have not seen it so cannot reproduce the relevant stanzas).

We were incredibly lucky with the weather, for we had consecutive dry days in this vilest of summers. This brought the big river down to manageable heights, and on the second evening I headed for the broad, stately pool which they call The

Carnatic - I've no idea why. Stevie and Mark came, too, but there was nothing much showing so they dined off to the other river. I fished on my own, and found a little hatch in progress on the far side. I had two nice fish before it got too dark.

I should have been there the next evening, by which time everyone else had departed to attend to what they absurdly imagined to be urgent business. During the day I wandered, savouring the solitude. I caught one among a pod of enthusiastic feeders at the confluence of the rivers, a fat 1½-pounder. Upstream, there was a succession of little slips under the far bank, some delicate manners for the stout bully of a two-pounder which I eventually landed. I slept

deliciously in the long grasses.

To the point. After supper with my hosts, the son of the house and I set forth. The previous evening, Stevie and Mark had encountered a furious hatch of sedges up the lesser river; or so they claimed. I was seduced by their tales, so we went there rather than to the Carnatic. There was no hatch of sedges, furious or otherwise, just a quiet rise to the blue-winged olive, which I misinterpreted as the start of the emergence of the sedges. By the time I realised my error, a golden evening had almost died; but not quite, there was just time for us each to get a fish to rescue matters.

And the moral of the tale? The minor moral is: don't let yourself be swayed by the testimony of others into thinking that one evening on the river will duplicate itself the next. And the greater moral, buttressed by the experience of three splendid days, is: don't content yourself with just talking about it. Get out there and do it.

Fishing / Tom Fort

Take the bait: just go and do it

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PROPERTY

Just doin' what comes naturally

Sally Smith looks at the increasing number of buyers seeking a nature reserve of their own

Sean Fisher and his family have owned a "secret" lake, stream, woodland and field near Tiverton in Somerset for 18 years, quietly putting themselves at the vanguard of a growing band of people looking to claim a little piece of England for nature - and their own enjoyment.

Rural estate agents in most parts of the country tell of regular inquiries from people wanting a few acres on which to plant wildflowers or trees. The callers come from all walks of life and frequently live in large towns and industrial areas. They are linked by a love of wildlife and the environment - and spare cash to spend.

At Symonds and Sampson in Sturminster Newton, Dorset, Charles Matthews terms them "bereavement sales". "Frequently, you get a call after a death. Relatives have inherited a small, unexpected sum and want to invest it in pasture, water or trees, and/or make it as a remembrance of the departed," he said.

In the Stags agency's offices throughout the West Country, it is a familiar theme. Simon Cooper, from the Honiton branch, said: "Increasing numbers are registering with us, many from way outside this region, all looking for their own part of unspoiled England."

from intensive farming. In the south Hams of Devon, Charles Wreford-Brown of Luscombe-Maye Hands Hughes has been selling two small sites: a thin strip of bank on a tributary of the Dart and a one-time orchard sloping gently down to a brook, now with a variety of other trees.

The orchard, just over 3½ acres and priced at between £4,000 and £7,000, was to have gone to auction, but buyers were so keen that it was sold well before at a sum which far exceeded expectations.

'I've just been asked to approach a landowner to see if he will sell 100 acres of water meadows'

The river bank produced eight tenders, all towards the top end of the £5,000-£10,000 guide price.

These sales are by no means confined to the west of England. In Suffolk, James Brooke of Bidwells has "calls, usually out of the blue, from people with, say, £5,000-£10,000 to spend and asking how much land it will buy."

"Inquiries can be on a much grander scale, too. I've just been asked to approach a landowner to see if he will sell 100 acres of water meadows. The land is not even on the market, but the inquirer who loves to walk through

the meadows, wants to own them if he can."

In Lincolnshire in recent months, J.H. Walter has been "inundated with inquiries from people living mainly in suburban areas and who do not seem to be at all worried at travelling 90 or 40 miles," says John Gale.

The likes of Stags and Luscombe-Maye Hands Hughes, having identified this demand, now directly market "nature reserves", some as stand-alone properties, others as individual lots in a farm sale. In these cases, buyers come up against others with the same intent and then acquisition is a sheer case of determination - and funds.

But opportunities are to be found in otherwise mainstream agrarian sales. A trawl through the plans in a farm brochure will often elicit a small outlying area which may, or may not be available separately.

In the former case, advises Gale, the competition will probably be from those looking for pony paddocks, "in which case the sky could be the limit", or from farmers who, in the main, will not be inclined to pay more than the going rate for farmland in that area. Depending upon the quality of the land and location, that can be anything from £200 an acre to £4,000.

Registering an interest with agents is useful. Selling 787 acres in 14 different lots of arable land on the Nottingham/Lincolnshire borders, Gale sold a 1.8-acre plot to such buyers from his client list.

Even when a piece of land has not been identified in the plan it is still worth making an approach to the



selling agents, especially at a time like this when the farms market is difficult and there is a very flexible attitude towards parceling lots. Indeed, farmers who are not even selling may be persuaded to part with a scrubby patch - although they might be wary of having an over-keen environmentalist as a neighbour.

Agents agree that the subsequent management of the land does not put buyers off. When the Fishers acquired their patch, the lake was a mere muddy hollow and the field completely overgrown with thistles. Hours of toil has gone into clearing, planting, repairing the dam, building a jetty and constructing islands - and the work is constant.

And if you want wildlife in your nature reserve, it has to be encouraged. The desirable plants which form the basis of the food chain are

all too easily choked out by weeds, especially if the land has previously been intensively farmed with use of fertilisers and sprays. But the rewards come as young saplings grow to form an embryo spinney, or rare flowers gradually become established. "There's great satisfaction," said Fisher. "We have hosts of damselflies and dragonflies, trout in the lake, untold quantities of frogs, newts and toads."

Nonetheless, with part of his family "workforce" going on to university and careers elsewhere and age beginning to tell, he is reluctantly selling. Newlands Lodge and Lake, with an on-site caravan with consent for use as an office, rest room and viewing hide and 25 days overnight residential accommodation, is available through Stags at Tiverton priced at between £45,000 and £60,000.

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SPORT

Athletics

Tyson of the Track terrorises the world

Sprinter Marion Jones could outshine even Jesse Owens, says Pat Butcher

Did she or didn't she? The doubts about Florence Griffith-Joyner, alias Flo-Jo, persist 10 years after she made an indelible mark on athletics. Her three Olympic gold medals in Seoul, and her unbelievable 21.34 seconds for 200 metres there attest to her sprint talent. She also had a mean line in leotards, one-legged tights and exotically coloured finger nails. But did she really run 10.49 seconds in the first 100 metres heat of the US Olympic trials in Indianapolis in 1988?

The time was correct, and has been accepted as a world record. But it is the wind speed that remains highly questionable. Even though it was nearly blown over in the gale, the wind-gauge stubbornly registered zero, while the rest of the 100 metres heats were strongly wind-assisted and, more important, while a different gauge on the adjacent triple-jump runway was concurrently registering over four metres per second. Two metres per second following wind is the maximum allowed for world records.

The respected Association of Track and Field Statisticians has long suspected the mark and in this year's ATFS annual it is asterisked as "probably strongly wind-aided". But the bigger reason why this has become a burning issue again is Marion Jones.

Since winning the world title last year in her first full senior season after taking a lengthy break from track to play college basketball, the 22-year-old from California has been undefeated in over 30 races, and has amassed the greatest number of sub-11-second performances of any woman in history. Flo-Jo included.

Jones is now within a tenth of a second of Flo-Jo's next best time of 10.61 seconds. But because this afternoon's World Cup 100 metres is in Johannesburg, at an altitude that helps sprint performance, the likelihood is Jones will run faster than that, thereby throwing the statisticians into another tail-spin.

Where there is little debate, however, is in Jones' domination of the 100 metres and, increasingly, the 200 metres and long jump. Since she has also made a successful foray into the 400 metres, those dastardly

statisticians, abetted by journalists eager to write about something other than drugs in sport, have tempted her with the goal of an unprecedented five Olympic gold medals in Sydney in two years' time - 100 and 200 metres, long jump, and the 4x100 and 4x400 metres relays.

She has taken up the challenge, and plans to put her talent to the test in four events (minus the longer relay) at the world championships in Seville next year. The shades of Jesse Owens and Carl Lewis, four-gold winners in Berlin 1936 and Los Angeles 1984, respectively, are already shuddering.

Jones is in the vanguard of a far-reaching cast change among the world's leading sprinters in the past 12 months. Among the men, the retirement of Lewis and Linford Christie, the injury to Olympic champion Donovan Bailey and the decline, however temporary, of 31-year-old Frankie Fredericks, has perhaps accentuated the current domination of training partners Maurice Green and Ato Bolden. But since both are 34, they look likely to hold sway in the men's sprints at least through Sydney.

There was an equally welcome change on the domestic and European fronts (one and the same among the men), but the new European champion, Darren Campbell, is going to have to improve vastly to emulate his adviser, Christie, and the long-term opposition to the Americans is almost certain to come from the Nigerians.

The latter applies to the women's sprints but for the time being, it is a European, albeit of Antilles' extraction, who is Jones' only credible rival. On paper, where the best contests exist, the Guadeloupe-born Frenchwoman, Christine Arron, should be pushing Jones in the 100 metres.

Arron was the star of the recent European championships. Her electrifying relay leg, taking five metres out of 200 metres champion Irina Privalova was the defining moment of the week in Budapest.

But it was Arron's 100 metres victory in 10.73 seconds making her the third fastest woman in history, and just 2/100ths of a second slower than Jones, which suggests a threat to the American. But the rivalry has remained as firmly fixed on the page as Arron sometimes lingers in her starting blocks.



1st 1st 1st
1st 1st

Both before and after Budapest, Arron has been thrashed by Jones, and there was an uncomfortable echo of her enigmatic elder colleague, Marie-Jo Péro (also born in Guadeloupe), when Arron protested recently that she was having difficulty coming to terms with her newly-won celebrity. This from a woman who, for the past couple of years, has been dying her hair in colours even Flo-Jo would have found trashy.

In strictly old-fashioned attire. The attraction is in the performances. And, although they seem to have come all of a sudden, the potential has long been evident.

When Dan O'Brien was suffering a seminal moment of doubt, falling to clear a height in the pole vault at the US Olympic trials in 1992, thus missing the Barcelona Games, there was an equally historic moment occurring on the other side of the New Orleans stadium.

The 16-year-old Jones was finishing fourth in the 200 metres. Also fifth in the 100, she was entitled to go to Barcelona as a reserve and member of the short relay. She turned down the invitation, saying she was too young. It has proved the only hiatus in a career of broad excellence.

Concentrating on basketball during the intervening Olympiad she was, by common consent, the motor for the University of North Carolina winning the National Collegiate Athletic Association title in 1994. Such multi-talents begin to evoke memories of Mildred

Didrikzen-Zaharias, and Jones has time to go much better than the "Babe".

She has probably also done so, having won \$1m (£800,000) so far this year. This weekend will be the grand finale. By tomorrow night in Johannesburg, she will have competed in three World Cup events - the 100 metres, 200 metres and long jump.

It is entirely accurate, and implies no submission to promotional hype, to say that something quite extraordinary and very special for the motor-racing fraternity will be taking place at the Earl of March's 12,000-acre Goodwood estate next weekend.

For no one will it be more special than for Stirling Moss. Once again, the greatest driver never to have won the world Formula One championship will be wrestling with the wheel of his 1960s grand prix single-seater as it hurtles at over 100mph towards Goodwood motor-racing circuit's St Mary's and Fordwater curves in south-east England.

They are names seared deep into even the notoriously gung-ho Moss's brain. It was here, almost exactly 36 years ago, that occurred the crash which cost Moss his racing career, and so very nearly his life. For four weeks he lay unconscious in St Richard's hospital in Chichester.

Moss is back to confront his Nemesis: current British Formula One ace Damon Hill has been given leave by his Jordan team to return to his first love, motorcycle racing, and ride a 1960s Manx Norton against ex-world champion Barry Sheene; a whole pantheon of motor racing's heroes and their cars and motorcycles will be competing once again at a circuit where no chequered flag has fallen on a race for approaching three decades. All this represents, says Charles, Earl of March, the fulfilment of his most cherished dream.

March, 43, a dyed-in-the-wool car enthusiast who himself races, has spent more than £1m and fought a planning battle spanning five years to bring back to life the circuit built by his grandfather, the 9th Duke of Richmond and Gordon - the designer, engineer and racing driver Freddie March - in 1948.

Motor Racing Goodwood's revival meeting

Visitors to the circuit will be in a time-warp. John Griffiths reports

For 20 years, it rivalled Silverstone and Brands Hatch as Britain's best-known circuit, before the fading interest of a family then more concerned with its similarly named horse-racing venue, a few miles away across the Sussex downs, saw it lapse into light industrial use, a driving school and a flying club.

What March and his small army of construction workers have created, however, is not a motor-racing circuit in the modern, commercial sense. "It has to pay its way or I'm in trouble," says March, leaning on the balcony rail of a pits complex which appears, at least, to be recognisable in any photograph from the 1960s - but much of which is a new construction.

Instead, he has created what he describes as "a spectacular piece of theatre, a time-warp for all those who remember the circuit in the old days".

For the many thousands expected to flock to the circuit for the three-day "revival" meeting, it will be living theatre - and subject to rules of audience participation which perhaps only an aristocratic dictator, albeit

benign and enthusiastic, might have the nerve to impose. Only pre-1986 cars will be allowed to enter the site.

In the paddock, freshly surfaced and with a couple of hundred wooden race car garages newly built in the style of Goodwood's hey-days, there will be a strict dress code - jackets and ties de rigueur for men, frocks for their companions.

The names behind the wheels are a self-contained motoring hall of fame. Among those lining up, either with Moss in old F1 Ferraris, Coopers, Brabhams and BRMs, or in the other formula, sports and GT cars comprising a total of 12 races, will be Roy Salvadori, Sir Jack Brabham, Tony Brooks, Ken Tyrrell and several dozen other legends. With the current Formula One championship also between its end-of-season rounds: "I don't think anyone's going to stay away," suggests Robert Brooks, the auctioneer who is to drive in both sports and formula car races.

Action will also not be confined to the track. Second world war Hawker Hurricane and Super-



Lord March: a dyed-in-the-wool car enthusiast

marine Spitfire fighters will also stage displays above the airfield they once operationally called home.

In keeping with the ethos of the original Goodwood circuit when - as the late president of the British Racing Drivers' Club, Innes Ireland, once famously observed - sex was safe and motor-racing dangerous, there will be no visible steel barriers or

other obvious 1990s safety trapping.

Yet looks deceive. Safety walls of tyres line the entire 2.4 mile circuit but are being camouflaged by unpeeped ivy plants. This process might be going slower than March would have liked - "wretched rabbits," he grumbles - but by the 1999 race should be all but invisible. Spectators, however, will have

a better deal than their predecessors. Nearly 300,000 tonnes of earth have created a five-metre high banking all around the circuit. Planted at the rear with more than 20,000 trees, the banking serves a dual purpose - of deadening sound for the dwindling numbers of neighbours still opposed to the circuit's renaissance.

If March is winning his hearts-and-minds campaign with locals, it is in part because of such actions; in part because of the jobs created in this still very rural community. Goodwood sport has been an employer since 1901, when the family staged the first commercial horse-race. If next week's motor racing is not a financial flop, there are long-term plans to create what March describes as a "living museum" of motor racing on a site expected eventually to produce permanent employment for 300.

Undoubtedly, opposition to the plans would be stiffer if the circuit were being revived for full programmes of modern racing for conventional commercial motivations. But March re-emphasises that the circuit venture must be profitable. "But like horse-racing, it is really all destined to go to the upkeep of Goodwood House." The turreted stately home, he says, costs a fortune to keep up "and we want very much to continue to live in it and maintain it as a family".

As for next week's racing, friends of Moss say the blunt-spoken and forceful driver, though now in his late 60s, will go for the chequered flag like a bull at a gate. Moss says he views his upcoming race with no sense of trepidation - "in fact, I'm really looking forward to it because Goodwood's where I won my first-ever big event".

But what about the crash? "No problem, old boy - can't remember a damn thing."

Tennis For country and cash

With the departure of Tim Henman and Greg Rusedski from the US Open, UK

interest now focuses on the Davis Cup tie against India, to be played on hard courts in Nottingham on September 25-27. For both nations this is a crucial battle, with one of the 16 places in next year's World Group as the prize for the winner.

On the face of it, Britain should win easily. After all, Henman's progress to the fourth round in New York this week will have improved his world ranking to 11 or 12 when the list is published on Monday. Rusedski will have dropped only a few places below that, despite failing to repeat last year's run to the final.

The two-man Indian team consists of Leander Paes, ranked 76, and Mahesh Bhupathi who, according to the computer, is the 352nd best player in the world. But those figures are deceptive. Paes is a supremely talented player, who is at his best in the highly charged atmosphere of Davis Cup tennis.

When you remember that Paes won his first tournament at Newport this year and had a run to the quarter-finals in New Haven two weeks ago, you understand why he believes he is still improving. In New Haven, he beat the Swiss No.1 Marc Rosset, former French Open champion Sergi Bruguera, and world No.1 Pete Sampras before losing to Goran Ivanisevic - not bad for the world No.76.

Both Indians are also superb doubles players. Paes has a world ranking of eight and Bhupathi is nine, but he faces the dilemma of having been too successful in doubles before establishing a singles ranking. He is frequently unable to reach the following week's tournament in time to qualify.

Despite the ranking disparity, this will be a difficult tie to win. Henman will be

coming back from Tashkent, where he travels next week to defend his title. That in itself will impose extra pressures. Rusedski, out of action for seven weeks with an injured ankle, is still not back to his best. Nor is he competing next week.

Then there is the question of who to play in doubles. In the last tie against Ukraine, the UK captain, David Lloyd, played the left-handed Rusedski in the right court with Henman alongside. Lloyd would probably be wise to ask them to change sides. Alternatively, he could bring in Neil Broad with Henman to renew their Olympic silver medal partnership.

In the semi-finals of the World Group that same week, Spain will travel to Stockholm to take on the holders, Sweden, as Italy fly to Milwaukee to face a depleted US team from which Sampras, Agassi and Chang will be absent.

All four players believe that they should have been consulted about the venue. Even though the date clashes with an annual charity evening Agassi organises in Las Vegas, he would still have been prepared to play if the tie had been played in San Diego.

"I was very willing to spend the whole week with the team, play Friday, come back, not be there Saturday evening and then be back in pocket for Sunday," he said.

Thomas Muster, a loyal member of the Austrian team, summed up the attitude of most players when he said: "You have professional players and you have amateurs working for federations. That's the problem. They always think it is an honour to play for your country. In another way, it's a business... You can see it from two points."

Certainly in those countries where past champions are in charge, there is harmony. Manuel Santana's Spanish team, led by Carlos Moya and Alex Corretja, this year's French Open finalists, are keen. "In Spain, the Davis Cup is very big," Santana told me. "All the players are so proud to play for Spain - it is as important to them as the Grand Slams."

Perhaps the USTA, with men such as Charlie Pasarell, Donald Dell, Gene Scott and Barry MacKay available, all of them past Davis Cup players and all expert promoters, were unwise to appoint men without first-hand experience to run and organise professional tennis in the US, including Davis Cup and Fed Cup ties.

The chicken has certainly come home to roost.

John Barrett

What's on around the world

AMSTERDAM

ATLANTA

BALE

BEIJING

BONN

BUDAPEST

CHICAGO

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INTERNATIONAL ARTS GUIDE

What's on
around the
world

■ AMSTERDAM

DANCE

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Upper Room; Sep 13, 14, 15, 18

EXHIBITIONS

Rijksmuseum
Tel: 31-20-673 2121
Bellange: An Unconventional Etcher.
Brings together etchings and drawings
by the 17th century Alsatian artist, who
was painter at the court of the Duke of
Lorraine in Nancy from 1602 until his
death in 1616; to Oct 18

Stedelijk Museum

Tel: 31-20-5732911
www.stedelijk.nl
Bill Viola, 25 Year Survey - A Video
Journey: major survey of work by the
American video artist. Includes more
than 15 installations and 20 video
tapes, as well as sketches and notes;
from Sep 12 to Nov 29

OPERA

Netherlands Opera, Het
Muziektheater
Tel: 31-20-551 8911
Götterdämmerung: by Wagner. New
staging by Pierre Audi, conducted by
Hartmut Haenchen. Cast includes
Heinz Kruse, Jeannine Altmeyer and
Henk Smits; Sep 12, 16

■ ATLANTA

EXHIBITION

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without formal training. Includes
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(1860-1961) to Ken Grimes (b.1947).
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Folk Art, the exhibition will transfer to
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■ BASLE

EXHIBITION

Kunstmuseum
Tel: 41-61-271 0628
www.kunstmuseumbasel.ch
A House for Cubism: the Raoul La
Roche Collection. Display of works
collected by the Swiss banker and
given to the museum in the 1950s and
1960s. Includes works by Picasso,
Braque, Léger, Gris, Le Corbusier and
Ozenfant; to Oct 11

■ BEIJING

OPERA

The Forbidden City
www.turandot-on-site.com
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Yimou. With the Maggio Musicale
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■ BONN

EXHIBITION

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Tel: 49-228-917 1200
www.kah-bonn.de
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Musée du Petit Palais in Paris.
Concentrating on the museum's
holdings of 19th century French art,
the show comprises nearly 200 works
and ranges across painting, drawing
and sculpture; to Sep 27

■ BUCHAREST

CONCERT

Sala Muzicală a Palatului
Chicago Symphony Orchestra:
conducted by Daniel Barenboim in
works by Wagner, Berg and
Tchaikovsky; Sep 18

■ BUDAPEST

EXHIBITION

Museum of Applied Arts
Tel: 36-1-217 5222
Zsolnay: Art Nouveau Ceramics.
Display of 200 objects made between
1897 and 1918 at the family-owned
Zsolnay factory in Pécs. Includes
goblets, vases and other objects; to
Sep 27

■ CHICAGO

EXHIBITION

Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Art and Archaeology of Ancient West
Mexico: more than 200 works,
including terracotta figures found in
tombs, and findings of recent
excavations; from Sep 12 to
Dec 6

■ COPENHAGEN

EXHIBITION

Louisiana Museum of Modern Art,
Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective
comprising 140 paintings, drawings
and sculptures. Includes works
borrowed from the artist's family since
the exhibition was shown in Stockholm
over the summer; from Sep 18 to
Jan 10

■ EDINBURGH

EXHIBITIONS

National Gallery of Scotland
Tel: 44-131-624 6200
Effigies and Ecstasies: Roman Baroque
Sculpture and Design in the Age of
Bernini; to Sep 20



Jan DeNolff and Amy Johnson in Mark Lamos's production of 'Tosca', first seen at Glimmerglass and now at New York City Opera

Scottish National Gallery of Modern Art

Tel: 44-131-624 6200
Mona Hatoum: 46 works ranging from
photographs and videos to sculptures
made from materials including hair,
wax, soap, steel, rubber, pins and
razor blades; to Oct 25

OPERA

Edinburgh Festival Theatre
Tel: 44-131-528 6000
The Magic Flute: by Mozart. Scottish
Opera production by Martin Duncan,
conducted by Richard Farnes; Sep 16

■ FORT WORTH

EXHIBITION

Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Modernism - The Art of Design
1880-1940: works from the Northwest
collection. Ranges from the British Arts
and Crafts movement and Art Nouveau
to the Bauhaus and Art Deco; to
Sep 13

■ FRANKFURT

CONCERTS

Alte Oper
Tel: 49-69-134 0400
● Chamber Orchestra of Europe:
conducted by Heinz Holliger in works
by Haydn and Mozart; Sep 18
● Los Angeles Philharmonic:
conducted by Esa-Pekka Salonen in
works by Salonen and Bruckner;
Sep 12

OPERA

Oper Frankfurt
Tel: 49-69-21237 999
www.operfrankfurt.de/oper
● La Patrie: by Offenbach.
Conducted by Catherine Rückwardt in
a staging by Peter Eschberg, with
designs by Peter Eschberg; Sep 12, 18
● La Traviata: by Verdi. Staging by
Axel Corti; Sep 13, 17

■ LAUSANNE

EXHIBITION

Musée Cantonal des Beaux-Arts
Tel: 41-21-312 8332
The Collection of Dr Henri-Auguste
Widmer: in 30 years, Widmer collected
more than 600 works of art. This
display, designed to pay tribute to one
of the museum's most generous
donors, includes works by Boudin,
Daubigny, Chintreuil and Rousseau; to
Nov 8

■ LONDON

CONCERT

BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
The Last Night of the Proms: Andrew
Davis conducts the BBC Symphony
Orchestra, Chorus and Singers in a
programme including the European
premiere of Hugh Wood's *Variations*
for Orchestra, works by Gershwin,
Thomas Adès and Parry. With baritone
Thomas Hampson and piano soloist
Jean-Yves Thibaudet; Sep 12

EXHIBITIONS

British Museum
Tel: 44-171-636 1555
● Maori: display of more than 500
objects relating to the Maori people of
New Zealand, including material

collected by Captain Cook on his
voyages between 1788 and 1780.
Ranges from giant wood carvings to
canoes, tools and woven cloaks and
ornaments; to Nov 1
● Persian and Indian Manuscripts and
Paintings: the Royal Asiatic Society
celebrates its 175th anniversary with
an exhibition of objects rarely seen by
the public. The highlight is the Book of
Kings made for Muhammad Juk, one
of the great Persian manuscripts of the
15th century; to Sep 13

National Gallery

Tel: 44-171-639 3321
Venice through Canaletto's Eyes:
taking the form of a journey along the
Grand Canal, this display brings
together 23 paintings and drawings of
the artist's native city; to Oct 11

Royal Academy of Arts

Tel: 44-171-300 8000
● Chagall: Love and the Stage. A
series of monumental mural paintings
created in 1920 for the State Yiddish
Chamber Theatre in Moscow will form
the centrepiece of this exhibition.
These recently restored paintings are
shown alongside preparatory drawings
and sketches; to Oct 4
● Picasso: Sculptor and Painter in
Clay. This first major exhibition of
Picasso's ceramics will include around
100 pieces, many of which have never
before been exhibited. They will be
shown with paintings and sculptures,
demonstrating how Picasso developed
his ideas across different media; from
Sep 17 to Jan 1

OPERA

English National Opera, London
Coliseum
Tel: 44-171-632 8300
● Otello: by Verdi. New production by
David Freeman, designed by Tom
Phillips and conducted by Paul Daniel/
Mark Shananah. David Rendall sings
the title role; Sep 16
● Rusalka: by Dvořák. Conducted by
Richard Hickox in a revival of David
Pountney's production, directed by
Lynn Binstock. The title role is sung by
Susan Patterson; Sep 12, 17

■ LOS ANGELES

OPERA

L. A. Opera, Dorothy Chandler
Pavilion
Tel: 1-213-872 8001
www.laopera.org
● Carmen: by Bizet. Washington
Opera production by Ann-Margret
Petersson, designed by Lennart Mörk.
The conductor is Bertrand de Billy and
the title role is sung by Jennifer
Lamore; Sep 13, 16
● Werther: by Massenet. Conducted by
Emmanuel Joel in a co-production
with Théâtre du Capitole Toulouse
staged by Nicolas Joël and designed
by Hubert Monloup. The title role is
sung by Ramón Vargas; Sep 12, 15, 18

■ LUCERNE

CONCERTS

International Festival of Music
Tel: 41-41-226 4400
www.lucernefestival.ch/
● Chicago Symphony Orchestra:
Daniel Barenboim conducts works by
Schoenberg, Wagner and Beethoven;
Sep 12
● Vienna Philharmonic Orchestra:

Tel: 1-212-879 5500

www.metmuseum.org
● Letters in Gold: Ottoman
Calligraphy from the Sakıp Sabancı
Collection, Istanbul. 70 objects ranging
from the 15th to the 20th century.
Includes manuscripts, panels and
scrolls; to Dec 13
● Louis Comfort Tiffany: celebrating
the 150th anniversary of the artist's
birth, this exhibition, drawn from the
museum's collection, includes
lead-glass windows and lamps,
vases, furniture, enamels and jewellery;
to Jan 1
● The Nature of Islamic Ornament,
Part II: Vegetal Patterns. Second in a
four-part series on Islamic ornament
from the 9th to the 18th century.
Includes rare brocades and carpets; to
Jan 10

Museum of Modern Art

Tel: 1-212-708 9480
www.moma.org
● Aleksander Rodchenko (1891-1956):
first major US retrospective of the
period following the 1917 revolution. A
founder and leading theorist of
Constructivism, Rodchenko abandoned
the traditional mediums of painting and
sculpture in favour of experimental
forms, photomontage and graphic
design; to Oct 6
● Bonnard (1867-1947): originated at
London's Tate Gallery, this major
retrospective includes more than 100
works produced between the 1890s
and 1940s - landscapes, still life, a
series of nudes, and several
self-portraits; to Oct 1
● Love Forever - Yayoi Kusama,
1958-1968: display of works by the
Japanese artist (b.1929), who came to
prominence in the late 1950s - while
living and working in New York - with
a series of large-scale monochromatic
paintings called Infinity Nets. Following
her return to Japan in the early 1970s
Kusama was largely forgotten in the
US. This display includes installations
and a film as well as paintings,
sculptures, photographs and collages;
to Sep 22
● Tony Smith (1912-1980): Architect,
Painter, Sculptor. Includes some 50
paintings and 50 drawings, as well as
plans, sketches, photographs and
models of architectural projects. 25
large-scale steel sculptures are on
display in the Sculpture Garden, while
a temporary exhibition of monumental
works is installed at selected public
sites in Manhattan, in collaboration
with the Public Arts Fund; to Sep 22

Whitney Museum of American Art

Tel: 1-212-327 2801
Mark Rothko: major retrospective of
the American abstract artist, including
loans from Europe and Japan. The 100
works on display encompass all
phases of Rothko's career, from the
late 1920s to 1970. The show arrives
from Washington and will travel to
Paris; to Nov 29

OPERA

New York City Opera, New York
State Theater
Tel: 1-212-870 5570
www.nycoopera.com
● Partenope: by Handel. Directed by
Francisco Negrin and conducted by
George Manahan. Lisa Saffer sings the
title role; Sep 16
● Tosca: by Puccini. New production
by Mark Lamos, in association with
Glimmerglass Opera. The conductor is
George Manahan; Sep 13, 15, 18

■ PARIS

CONCERT

Théâtre des Champs Elysées
Tel: 33-1-4952 750
Orchestre National de France:
conducted by Leonard Slatkin in works
by Chabrier, Franck, Fauré,
Roger-Ducasse and Schmitt. With
piano soloist Michel Daubert; Sep 17

EXHIBITIONS

Musée d'Art Moderne de la Ville de
Paris
Tel: 33-1-5367 4000
La Collection du Centres Georges
Pompidou: 200 works displayed here
during the period of the centre's
renovation; to Sep 13

Musée du Louvre

Tel: 33-1-4020 5151
www.louvre.fr
● Astronomy and Astrology in the
Islamic World: display of instruments
developed by Arab astronomers
between the 8th and 15th centuries,
shown alongside a selection of
everyday and religious objects
decorated with astrological designs; to
Sep 21
● Bassano and His Sons: works by
the Venetian painter Jacopo Bassano
and his sons. The display brings
together works owned by the Louvre
with loans from other French
museums; to Sep 21

■ ROME

EXHIBITION

Borghese Gallery
Bernini, the Sculptor: The Beginning of
Baroque Art in the Borghese Family.
Brings together pieces belonging to the
Villa with loans from abroad. Includes
self-portraits and early pieces; to
Sep 20

■ SAN FRANCISCO

EXHIBITIONS

San Francisco Museum of Modern Art
Tel: 1-415-398 8000
Alexander Calder (1898-1975): around
250 works, among them some of the
best examples of Calder's formally
innovative sculpture; to Dec 1

■ SEATTLE

CONCERTS

Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
● Seattle Symphony Orchestra:
Opening Night Gala Concert. Gerard
Schwarz conducts the first concert in
the new hall. Programme includes the
world premiere of a specially
commissioned work by David

Diamond, and works by Webern,
Stravinsky and Wagner. With soprano
Jessye Norman; Sep 12
● Kyung-Wha Chung: recital by the
violinist of works by Schubert, Bartók
and Schumann. Accompanied by
Itamar Golan; Sep 14
● Seattle Symphony Orchestra:
conducted by Gerard Schwarz in the
world premiere of Bright Sheng's
Spring Dreams, and works by Barber
and R. Strauss. With soloists includg
cellist Yo-Yo Ma; Sep 18

Benaroya Recital Hall

Tel: 1-206-215 4747
www.seattlesymphony.org
● Seattle Symphony Orchestra:
Opening Celebration concert of Mozart
symphonies conducted by Gerard
Schwarz; Sep 13
● Seattle Symphony Orchestra:
conducted by Gerard Schwarz in a
retrospective of the orchestra's
composers-in-residence. Includes
world premieres of works by David
Stock and Samuel Jones, and works
by Richard Danielpour, Bright Sheng
and Stephen Albert; Sep 16

JAZZ

Benaroya Hall
Tel: 1-206-215 4747
www.seattlesymphony.org
Chuck Mangione and the Feel So
Good Band; Sep 15

■ STOCKHOLM

EXHIBITIONS

Moderna Museet
Tel: 46-8-5195 5200
www.modernamuseet.se
● International Surrealism: works from
the collection by artists including Dalí,
Duchamp, Magritte, Ernst and
Giacometti; to Oct 5
● Man Ray: Objects of My Affection.
Album comprising 38 sheets compiled
in 1944 when Man Ray was working in
Hollywood; to Oct 5
● The Desiring Eye: 220 works
spanning the history of photography,
from the 1840s to the present. Includes
works by Hill-Adamson, Julia Margaret
Cameron, Nadar, Alfred Stieglitz, Man
Ray and Berenice Abbott; to Nov 15

■ TOKYO

CONCERTS

Suntory Hall
Tel: 81-3-3584 8998
● Japan Philharmonic Symphony
Orchestra: conducted by Gianluigi
Gelmetti in Brahms' German Requiem;
Sep 17, 18
● Yomiuri Nippon Symphony
Orchestra: conducted by Gilbert Varga
in a programme including works by
Chausson and Ravel; Sep 16

EXHIBITIONS

Metropolitan Art Museum
Tel: 813-3823 6921
The Camen Thyssen-Bornemisza
Collection: touring show of 94
paintings, ranging from the 18th to the
20th century. Highlights include 19th
century Spanish works and works by
American painters; to Oct 4
Metropolitan Museum of
Photography
Tel: 81-3-3280 0031
Eugène Atget Retrospective: An
Intimate View of Paris at the Turn of
the Century. Around 200 works by the
documentary photographer; to Nov 4

■ TORONTO

EXHIBITIONS

Art Gallery of Ontario
Tel: 1-416-979 6858
● The Courtauld Collection: 51 works
on loan from London by artists
including Monet, Degas, Manet, Renoir
and Cézanne. Highlights include
Manet's *Le déjeuner sur l'herbe*; to
Sep 20
● Victorian Fairy Painting: exploring
the fascination with fairies and the
supernatural which took hold of artists
and writers in Britain from the early
19th century to the outbreak of the
First World War. Includes designs for
the theatre, where the Shakespearean
revival played an important role in
rekindling interest in fairies. Artists
represented include Turner, Landseer,
and Richard Dadd; to Sep 13

Royal Ontario Museum

Tel: 1-416-588 8000
A Grand Design: The Art of the Victoria
and Albert Museum. North American
tour of selected objects from the V&A's
collection. Consists of 250 works of art
ranging from Leonardo da Vinci's
notebooks to shoes by Vivienne
Westwood; to Sep 13

■ VIENNA

CONCERTS

Musikverein
Tel: 43-1-5058 6810
● Chicago Symphony Orchestra:
conducted by Daniel Barenboim in
works by Schoenberg and Mahler;
Sep 15
● Chicago Symphony Orchestra:
conducted by Daniel Barenboim in
works by Wagner, Berg and
Tchaikovsky; Sep 16

■ WASHINGTON

EXHIBITION

National Gallery of Art
Tel: 1-202-737 4215
www.nga.gov
● A Collector's Cabinet: Dutch and
Flemish paintings were eagerly
collected by merchants and
businessmen in the Netherlands in the
17th century. This exhibition is
designed to recreate the character of
such a collection and brings together
paintings with sculptures, medals, and
other objects and ornaments; to Nov 1
● Manet, Monet, and the Gare
Saint-Lazare: places Manet's famous
painting in a context provided by
works by other artists and a group of
related drawings, prints and
photographs; to Sep 20

Arts Guide by Susanna Rustin
e-mail: susanna.rustin@ft.com
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Weekend Investor

Wall Street

When the joking had to stop

Guaranteed uncertainty is the worst possible scenario, warns John Authers

Richard Nixon's chief of staff, H.R. Halde- man, once said that once the tooth-paste was out of the tube, it would be very difficult to squeeze it back. He was proved right by the Watergate scandal.

Nixon's successor, Bill Clinton, is by now all too aware of the truth of this maxim. So are the many dealers on the securities markets who have this week, almost for the first time, started to heed the president's problems.

Monica Lewinsky has been a household name since January, but the market has so far - with the exception of a day or two when the scandal first came to light - not been too alarmed about her. Traders have indulged in ribald humour, without believing it to be of much importance.

That changed this week. A Labor Day weekend punctuated by a series of senior Democrat politicians attacking their president was followed on Wednesday by the delivery of the special prosecutor's report, earlier than expected. Sombre-faced Congressmen made clear they would treat the coming impeachment process with the utmost seriousness.

This was sudden, incontrovertible evidence that the crisis was real. Worse, it also seemed to prove there would be no swift resolution. The president's troubles could continue for months while Congress works carefully through the constitutional procedures and looks carefully at the latest opinion polls.

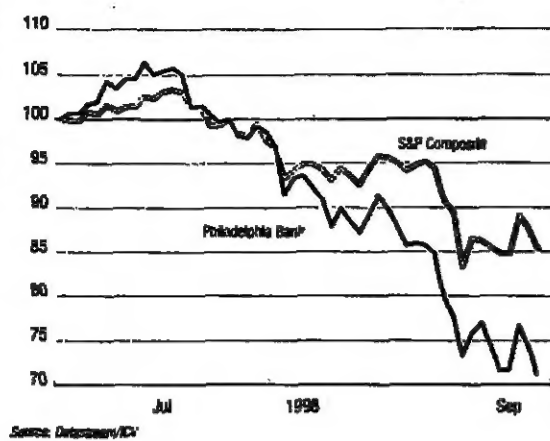
Guaranteed uncertainty is the worst possible scenario for the markets. Further, there will be little or no strength of political direction from a president who has generally been the market's friend.

At other times this need not have had too great an effect. Alan Greenspan will remain at the helm of the Federal Reserve, no matter what happens to the president, and there is no reason to suppose fiscal policy would change either.

Comments over the weekend by Greenspan, in which he confirmed that the Fed was no longer biased towards tightening monetary policy, led to storming gains on Tuesday. The Dow Jones Industrial Average

Just too many reasons to feel nervous

Indices (rebased)



Source: Datastream/FT

enjoyed its greatest ever daily gain in points terms. It rose 380.53 points. At 5 per cent, this was also its greatest daily percentage gain of the decade.

But, just like Watergate which began in early 1973, and did not reach a denouement until August of the following year, the Lewinsky affair came to the boil at a time when the market was already in a parlous state. With several global economies in collapse, and big question marks hanging over the political leaderships in Japan, Germany and Russia, US stocks could not withstand such severe uncertainty at home.

The result was two days of renewed heavy selling. The Dow tumbled 155.76 points on Wednesday, and another 248.48 points on Thursday, leaving it at 7815.54 and down for the week despite the historic burst of optimism which had started it.

The Dow has still not touched its low for the year of 7,539.07, set last week, and 7,500 appears to be a floor, but the market remains directionless.

Financial stocks again bore the brunt. Worrying news from Brazil added to the pain, as US banks have far greater exposure to Latin America than to Russia. The Philadelphia Stock Exchange, Keefe, Bruyette & Woods banking index, the benchmark for the sector, rallied unsustainably on Tuesday, buoyed by the optimism surrounding Greenspan's comments, but then continued downwards. Banks with heavy exposure

to Latin America suffered worst, with their share prices now half their highs. The overall index is now down about 25 per cent over the last two months.

A Wednesday profits warning from Procter & Gamble, one of the most formidably stable companies in the US, combined with the news that they were shedding their chief executive after only three years, added fuel to the fire. An up-beat forecast from Intel, the largest semiconductor manufacturer, released after the market closed on Thursday, did not spur a significant recovery. Two years ago it might have triggered a rally all on its own.

The Lewinsky affair, unfortunately, provides nervous investors with another strong reason not to buy stocks for several months yet.

And, as Bob Halde- man put it, the toothpaste is out of the tube. Even if US corporate earnings prove to be relatively unscathed in the third and fourth quarters, shareholders have now acquired the habit of asking why they are paying so much for these earnings. With multiples at last called into question, and profit growth likely to be slow for the rest of the year, any recovery will be sluggish.

The Dow Jones Ind Average

Monday	Market	closed
Tuesday	8,020.78	-380.53
Wednesday	7,895.02	-125.76
Thursday	7,615.54	-248.48
Friday		

London

Cardinal rules for lame ducks

Philip Coggan sees Footsie quack under pressure

It was a US cardinal who introduced the concept of the "duck test", a commonsense rule that defies all the efforts of the spin doctors. "If it looks like a duck, walks like a duck and quacks like a duck, it's a duck," said the wise Cardinal Cushing.

At its worst yesterday, the FTSE 100 index was 19.3 per cent below its all-time intraday high, just shy of the 30 per cent decline that constitutes the conventional definition of a bear market. But if it looks like a bear, and feels like a bear...

One key bearish indication is the way that the market keeps attempting to rally but each rally quickly breaks down. Tuesday's record 380-point gain on Wall Street was wiped out by falls in the next two sessions.

Another sign is the sheer volume of bad news at the moment. Just like the Russian parliament, it is all Duma gloom. The US presi-

dent faces the threat of resignation or impeachment, which may not make a difference to the conduct of economic policy, but certainly adds to investor uncertainty.

Asia and Russia remain mired in economic crisis and Latin America is rapidly joining them: the Brazilian stock market fell 15.8 per cent on Thursday and the government was forced to raise interest rates twice to defend the currency.

The emerging market turmoil has forced a succession of banks to reveal their losses in the area and substantially raised the borrowing costs of companies without a copper-bottomed credit rating. Some fear a global "credit crunch". Many companies face uncertainty about the outlook for corporate earnings in the face of a recession in many parts of the world. And, in the UK itself, there is a danger that economic growth may peter

out in 1999.

In such depressing circumstances, there is a tendency to assume that the light at the end of a tunnel is merely an oncoming train. But there was a glimmer of hope for the UK market this week, which pointed to the eventual source of a market recovery.

The Bank of England ignored the calls from industry and the trade unions to cut rates and left official interest rates unchanged at 7.5 per cent on Thursday. This was no surprise to the City, since the Bank had acted to raise rates as recently as June, and its August report pointed to the underlying inflation rate being above the government's 2.5 per cent target for much of the next two years.

But the Bank did, for the first time, accompany a "no change" decision with a policy statement which said it was ready to cut interest rates if the international eco-



In line with Cushing's rule, but does the market bear it out?

nomie situation worsened. The tone of the statement certainly seemed to indicate that interest rate rises were now out of the question, and therefore the market can look fairly confidently forward to rate cuts in the foreseeable future.

Falling rates are normally a highly bullish factor for stock markets, by lowering corporate borrowing costs, stimulating the economy and reducing the attractions of holding money in cash. But some analysts are cautious about how quickly rates can fall. "It is tempting to read the statement as indicating a bias to ease and that rates have peaked," said Michael Saunders, UK economist at Salomon Smith Barney. "It probably is true that rates have peaked and the next move is down, but actually the statement does not say that."

"The markets now price in a high likelihood that rates will fall by half a percentage point by year-end and, in our view, rates will probably not fall that quickly," added Saunders.

"The latest data suggest that the trend in wage deals is still slightly up, while unemployment has yet to start rising clearly. Moreover, the falling pound by itself is easing the overall policy stance and hence reducing the need for base rates to fall."

There was another potential note of encouragement for investors yesterday. The FTSE 100 index briefly fell below 5,000 for the first time since December 1997. But the market managed to rebound

quite quickly off that level, which may be a sign that institutions regard it as Footsie's floor.

The blue-chip benchmark underwent quite a facelift as the quarterly review of constituents took place. It is not hard to see the shake-up as symbolic of the long-term changes in the UK economy. Out went some long-standing constituents such as Blue Circle, RMC and the Rank Group; British Steel (a classic manufacturing stock) and Enterprise Oil.

In their stead came stocks with a very modern look - Sema, the computer consultancy, Telewest Communications, the cable TV group, Colt Telecom, the business telecoms group, Securicor, which owns a big stake in the mobile telecom network Cellnet, and the utility, Southern Electric.

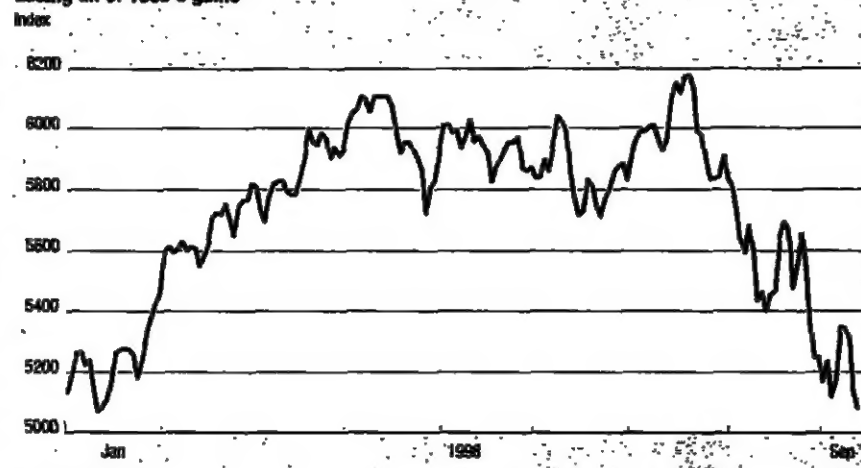
In part, this represents the underlying poor performance of some sectors such as manufacturing and oil, which has been flattened by the weak crude price.

In contrast, the telecoms and technology sectors are growing rapidly and, just as importantly, are expected to continue to grow, which means the market is willing to award those sectors premium ratings. The telecoms sector trades on a price-earnings ratio of 43 and information technology on a multiple of 47.

Even in a falling market, investors are still willing to pay up for stocks that can deliver growth.

philip.coggan@FT.com

Losing all of 1998's gains



Source: Datastream/FT

Highlights of the week

	Price	Change	52 week	52 week	
	1 day	as week	High	Low	
FTSE 100 Index	5118.6	-40.4	5178.0	4711.0	Fears on direction of Russian & US talks
FTSE 250 Index	4067.3	+34.0	5066.5	4526.4	Hopes of cut in UK interest rates
BTF	122	-10%	230%	105	Downturns after reports
Beezer	148	+16%	225	128	Households in favour, UK rate cut hopes
Carlton Comms	423	+30	566	390	Possible sector deal
Centrica	108	+16	119	70	Good results
Costa Vioella	33	-18%	128%	32%	Gloom in utilities sector
Cult Telecom	602%	+75	838%	109%	Entrance to FTSE 100 index
Lands Sporting	24%	+12	26	12	Hopes of TV link-up
Logica	1915	+335	2312%	902	Good figures
Manchester United	221%	+62%	225%	123%	Rid from BSkyB
Maris and Spencer	471	-57	883	454	Fears of downgrade
Railtrack	1563	+135	1986%	571%	Funds buying defensive UK stocks
Royal Doulton	104	-35	227%	99	Profits warning
Tesco	75	-100	385	73	Profits warning on Russia effect



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Barry Riley

Hard times, easy money

Scared banks create a bad case of credit crunch

We can blame the banks. Economic problems may not always be their fault, but they provide convenient whipping boys. Either the bankers are engaged in dangerous and inflationary lending sprees or - and this is today's problem in many countries - they sink into their parlours, too frightened to lend at all: it is a "credit crunch".

Winking them out again while economies crash all around can be tricky. This week the Bank of Japan decided to cut its target overnight money rate from a minuscule 1/2 per cent to a microscopic 1/4 per cent, hoping that a flood of liquidity would revive the paralysed banking system. But was this more like desperation than inspiration? Cynical observers simply concluded that the Japanese banks must be in even more trouble than everybody thought. Tokyo shares have tumbled.

In Malaysia, meanwhile, the erratic prime minister Mahathir Mohamad, who has ring-fenced his country into a kind of financial siege, has decided that banks must increase their lending by a minimum of 8 per cent a year, willy-nilly. It is their duty to revive the economy. But he is wasting his time: bankers are not all that smart, yet they are certainly wily enough to shuffle artificial loans around in a way that satisfies the rules but does not have an economic impact that would necessarily expose them to that shocking factor - risk.

Eastern problems have been

building up for more than a year, but up about three months ago there scarcely seemed to be a cloud in the western bankers' sky. When the UK's retail banks sector index peaked in mid-April, it had risen by two-thirds in the preceding 12 months. These mature businesses were earning 25 per cent or more on their shareholders' equity. Had the bankers at last become good at

Troubled bankers need to be soothed and encouraged by lower interest rates

running their businesses or did the high returns mean that they were taking risks not obvious to outsiders - and maybe not even to themselves?

Well, the question is now being answered in a succession of bank trading statements. That index has now tumbled by some 30 per cent. Emerging market exposures have proved to be disastrous after the miscalculation that Russia was "too nuclear to fall"; and the enormous amount of credit that has been pumped into the securities markets is now looking ill-secured. Moreover, who knows what horrors lurk in those over-the-counter derivatives books? Closer to home, the UK housing market has stalled and competition for personal banking business is stiffening. On Wall Street the prices of several big US banks with large international exposures, like Citicorp or

Bankers Trust, have halved inside two months. Troubled bankers need to be soothed and encouraged by lower interest rates. The Bank of Japan denied on Wednesday that it was leading off an orchestrated programme of cuts around the world, but Wall Street has decided that a reduction will soon feature on the US Federal Reserve's agenda and our own Bank of England

Monetary Policy Committee is poised to bring rates down from 7 1/2 per cent soon, although it declined to do so at Thursday's meeting. Possibly, too, the euro will be launched in January with a short-term rate even lower than Germany's current 3.5 per cent; the German economy scarcely expanded in the second quarter, and official economic growth forecasts are being pared down right across Europe.

In a real credit crunch, though, the cheapness of debt scarcely helps. There is not the confidence to lend and borrow. Using lax monetary policy to revive a stricken economy, said Keynes, can be like "pushing on a string". Japanese rates have already been at 1/4 per cent for three years now, and have apparently done nothing to pull Japan out of a slump, although they have helped US hedge funds to leverage their positions in the global financial markets

cheaply (though possibly, as we have seen in recent weeks, dangerously).

A depression alters market psychology. This week's unexpected cut in Japanese interest rates failed to boost Tokyo share prices because the move to 1/4 per cent was seen as a symptom of trouble rather than a harbinger of recovery. In western markets, the coming cuts will still be viewed positively. It is notable, though, that the recent falls in longer-term interest rates have failed to help equities. Since late July long gilts have outperformed UK equities in terms of total return by a remarkable 30 per cent.

This is very odd. We have become used to the prices of bonds and equities moving in the same direction (although not to the same degree). In a healthy expanding economy, bond yields influence the prices of all financial assets - the lower the yield, the higher the value. The argument flips, however, when people start to worry about lengthy economic depression and falling prices of goods and services. Then what is good for gilts is definitely not good for equities.

So far, however, it is hard to believe that banks in the west face anything much more than a normal cyclical setback, rather than Asia's secular shock. We shall not see Tony Blair ordering British banks to go out and lend as their patriotic duty. That is just as well, because then we could not say the ensuing trouble was all the banks' fault.

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FT WEEKEND

True Fiction

How to manage a body of opinion

Is there a difference between bed and board? Tom Barlow consults an expert

Ern Veblen greets me at his hotel room in the Bangkok Hilton, where his book, *Business for Every Body*, is being launched this week.

The decor is mildly kitsch, a few tentative embellishments having been made to the standard Hilton furnishings - a small Thai wood-carving rests on the coffee table, and a bronze gong hangs on the wall. It strikes me as the perfect place from which to launch the first book on business written by a sex guidance counsellor.

The book opens with the immortal words: "Business is like a mass orgy in which you struggle to keep as many people as possible off your back, while you screw whomever else you can for as long as you can." And it's all downhill from then on. His chapter titles include: "Trust with Thrust", "ReProductivity", "The F-Word: Talking Dirty in the Workplace" and "Sharing and Showing".

"Hi, Ern," I say, extending a

hand to the man who, for the past 12 years, has run a very successful sex guidance clinic in Los Angeles. A small man, in a simple, almost elegant, brown suit, he sits on the rim of an armchair, legs crossed, hands folded neatly in his lap.

I ask Ern how he made the switch from sex to writing about business. "A lot of my clients have always come from business backgrounds," he says. "People can be very successful in the workplace, but that doesn't always transfer to their private lives. Yet what people do in the office and what they do in the bedroom have more in common than you probably realise."

But surely the differences

between sex and business are more important than the similarities, I ask. Ern smiles indulgently, and shakes his head. "In both cases, what you're doing is building relationships. My main message - and it's true for any sort of relationship, whether sexual, professional, or whatever - is that doing good business is about loving yourself," he says.

He may have a point there, I think. After all, this is just paraphrasing Adam Smith.

However, there is something in his tone of voice that irritates me - I would describe it as cocky, though I hesitate to use such a word about a man who has written a 17-page chapter

entitled, "Down-sizing: six strategies for coping".

He pauses momentarily in his discussion to stare at my tape recorder. "Is that thing on?" he asks. I nod. "Good," he says. "You can quote me on this." He mentions a prominent LA corporate lawyer who allegedly had some success applying Ern's ideas in a series of mergers and acquisition deals in the early 1990s. "It is not a breach of confidence," he says. "This guy likes the publicity."

On the dust jacket of his book, it says that Ern is a member of the American Institute of Psychologists. I can't help wondering how long he will be able to hang on to that title once the

book is out. Not that Ern is likely to care; as far as I can tell, his book is going to be a best-seller.

In the chapter entitled "Sharing and Showing", he argues that we should be encouraging a much greater role for women in business, especially in executive positions. I ask him about this. He gazes at the mildly phallic wood-carving on the coffee table. "If more women were running businesses, we would do away with the business cycle," he says. "Most men peak too quickly. They cannot keep up. Though my ideas can help."

Ern's book is riddled with sexual metaphors. I ask whether he

uses as many business analogies when counselling clients for sexual problems. He sighs, apparently irritated by the question, and leans back in his chair. "I'm simply in the business of making things more understandable," he says. "I'll do whatever it takes. Understanding is always the most important step towards change."

My favourite chapter in *Business for Every Body* is chapter five, on "Managing Consultants". Here, Ern complements the opening lines of his book with a gem that probably deserves to be enshrined in every compendium of quotations: "If business is an orgy, the role of the management consultant is to tell you how to ***

people harder, longer and faster," he writes.

But does this make consultants a good thing or a bad thing? He smiles. "Many of my clients are management consultants," he says. "Until now, management consultants have been the sex guidance counsellors of the business world. If businesses are turning to people like this for fresh ideas and new positions to spice up their business lives, then - let me tell you..."

He suddenly breaks off, then, tilts forward in his chair to look me dead in the eye. "When things aren't working in the bedroom, you've got Viagra; there is no Viagra for corporate impotence," he says.

I notice that the wood-carving is about to topple. In Ern's excitement he is leaning heavily against the coffee table. "I will be the business person's Viagra," he declares. I wonder, to what greater heights could a business author aspire?

Arcadia

Team players in a watery wonderworld

Jurek Martin amazes himself by taking to a canoe

The other Sunday, the bald eagle was hunting and its target was plainly in sight. The osprey was struggling, almost juggling, with the good-sized fish it had just matched out of the Port Tobacco River, just before it merges with the Potomac down in Maryland's deep south. It looked an easy mugging and cheap dinner for the majestic bird that is the national symbol of the US.

As the powerful eagle closed in, the sky appeared clear, but suddenly, in a blink, it was not. From the north, a brother osprey swooped, knocking the big bird off its flight path. Out of the sun in the south came a second fish hawk, screaming menacingly. A third completed the triangle from below and off the land.

Within seconds the dogfight was over, the eagle winging back whence it came. Five minutes later, it returned for a second look, but all the osprey were ready this time, quartering the sky at 500ft. Eagles are not supposed to sink away, but this one did, its white tail metaphorically between its claws.

It is not that uncommon a sight. A couple of years back, President Bill Clinton celebrated the official graduation of the bald eagle from the endangered species list by releasing one over the Patuxent River, about 80 miles away. It barely got airborne before a gang of osprey, guarding territory and young, moved in and knocked it into the water, from which it had to be ignomi-

nously rescued by its erstwhile handlers.

It is a sight most likely to be caught from the water, not from the land, and therein lies a rub. I am not a water person. I really do not like boats, sail or powered, and I often sit on the banks of the Port Tobacco River quietly hoping that those screaming past in their jet skis (or personal water vehicles, as they are correctly called) will be sucked

under, I'd say, slipping into golf shoes. But I'm a convert now: not because gentle canoeing is exciting or even particularly athletic, but because things look very different from the water.

From terra firma, I thrilled to the eagles, rejoicing whenever I saw any one from the three pairs which nest within a couple of miles of our house. I knew, dimly, that Benjamin Franklin had argued 200 years ago against adopting it as the national symbol on account of its bad personal habits - it is a bit of bully and prefers stolen semi-dead or already rotting fish as its diet - but that seemed nothing when set against the glory of its flight.

Now, from the water, I'm an osprey person. I've discovered that not only can they see off eagles whenever they feel like it, fly like angels themselves and hunt like an Indian (that is, Native American), but they have other admirable qualities. For instance, they mate for life, which, in this dysfunctional world, is not completely to be sneezed at, up to a point.

Ospreys often nest on piers, or buoys, or channel markers out in the river. Canoe within 50 yards of one when mother and young are at home, and you are instantly aware of the presence of father osprey, swooping low, screaming, claws unsheathed (if they are ever retracted). Sam Peckinpah probably got his inspiration for *Straw Dogs* from watching osprey in action. They are adventurous, too.

Two months old and the young are off with the first whiff of autumn - not to Florida, like your average avian riff-raff - but all the way to South America, where they go to school for a year, learning the tricks of the trade, I suppose, before returning to the old homestead - and likely, if it has not been blown away by El Niño, to precisely the spot where they were born.

The blue heron looks different from the water, too. We've got one who likes to accompany us when we canoe upriver to the Smith's cabin for a beer (or smoked duck, or whatever). He spots us as we start, lumbers past, perches on a branch or in the water until we catch up and does it all over again. Perhaps he thinks we're his mother.

The canoe can take you inland, too, up little streams for a while, into wet bogs inaccessible from land, to be completely surrounded, like Bogart and Hepburn but without the leeches, by wild flowers, frogs and insects. Young Milly Dawney, a usually tough-as-nails four-year-old already expert in computer games, actually said, with reverence: "It's so beautiful," when recently ensconced in one such mini-wonderland.

And our stretch of the river also has unexpected little white sand beaches, midget Caribbean strands perfect for the picnic and the swim and also unreachable from land.

All we need now is a trained osprey to keep the powerboat predators away.



Metropolis

Tombs with a view of Delhi

Adam Hopkins accompanies the locals to parts tourists don't often reach

It is raining in Delhi when it shouldn't be. But at least it is drowning out the air pollution. I think it's worse this year - but still, I'm having fun.

My good friend John and I make an annual peregrination to India to select scholars to study in Britain. But on day one, John gets caught by the rain in the Oxford Book Depository in central Delhi.

Books are cheap and plentiful in India. John, being both a bookworm and a serious academic, manages to buy, during the course of a single shower, so many volumes that he starts to worry about the weight of his luggage. He even suggests, as he does every year, that I might do a little carrying for him.

The Oxford Book Depository is in Connaught Circus, a triple ring of graceful, if tatty, colonnaded buildings. It stands at the effective hinge of Delhi, midway between the noisy, turbulent, delightful city of Old Delhi - delightful, that is, if you can take the agitation and the ever-moving throng - and the central feature of New Delhi, the Viceroy's palace, now the residence of the president of India.

It was created by Edwin Lutyens to epitomise the dignity of empire. Which it did, after a fashion, for about 20 years, until the empire collapsed.

Connaught Circus is not only central and attractive, but it offers, in addition to its bookshops and insistent beggars, scores of restaur-

ants and cafés, jewellers and shoe shops, one or two newspaper offices and all kinds of entertaining street life. This year, we even saw a few mime artists.

Staying at the newly restored Art Deco Imperial hotel, and working close by, John and I eat there almost every evening, rotating restaurants and friends - Gaylord (the best), Amber (pretty good), the Volga (reminder of the days of Russian influence, suitably dreary in appearance).

Then there was Rodeo, where they serve Mexican nachos and the waiters wear cowboy hats.

Most of the labour force in India works six days a week. We felt it only right to do the same. This gave a special piquancy to our day off.

We had taken in quite a few of the main tourist sites on previous visits - the splendid Red Fort of the Mughal emperors, with the great mosque, the Jama Masjid nearby - as well as a lot of wandering in New Delhi, the Lutyens-Herbert Baker imperial confection, with its pompous secretariat buildings, its enormous, floral roundabouts and miles upon miles of white and colonial-columnar bungalows. Now we needed to settle on a new theme.

How about, I asked with a flash of what I hoped was insight, a little praise for Delhi's famous men and women, celebrated by 300 or so tombs dotted about the city? By now I had bought a book or two of my own, including Sunil Khilnani's outstanding work, *The Idea*

of India (published last year for less than £10 in India, £17.99 in the UK by Hamish Hamilton).

In his chapter on Indian cities, Khilnani casts a caustic eye on the Lutyens-Baker creation, remarking at one point that they "served as mere ornaments to the viceregal pomp".

Maybe, I ventured to John, we should open our eyes to a more purely Indian past? We took a guide named Deepa, who came accompanied by a Sikh driver and a properly

atmospheric Ambassador car. First stop was the Qutb Minar, a minaret and ruined mosque, supposedly India's first, in southern Delhi. With lawns and trees and pretty pathways, not to mention gorgeous stone carvings taken from early Hindu temples, it is a place of great beauty, one of the city's top spots for an outing. There were even a few tombs, identity of occupants unknown, to start us off.

On the way north again, Deepa pointed out the All India Institute of Medical

Science, the hospital to which Indira Gandhi was conveyed when shot by her bodyguard at her garden gate in 1984. Then there was the gliding club whence her younger son, Sanjay, had taken off four years before for a fatal bout of aerobatics. Ghoulish, maybe, but the sort of thing only a guide can tell you.

As for the main tombs, these are superb. There are more than a handful in the Lodi Gardens (90 park-keepers work there, said Deepa, who ferreted out the information from one of them).

Each tomb is about the size of an English parish church, though square in shape with a big dome on top, and here and there a brilliant spangle of ceramic tiles.

The other sort of tomb, likewise always set in gardens, is even bigger, about cathedral height, with pinnacles at each corner and a splendid bulbous dome like a turban - basically the same style as the Taj Mahal, 240km away at Agra, though usually in a deep red stone.

One of the biggest, if not necessarily the best, commemorates the Mughal minister Safdarjung, who died in the 18th century (not so popular with tourists and the general public, said Deepa, and accordingly more so with young lovers).

Architecturally speaking, the best of the tombs by far is that of the 18th century Mughal emperor Humayun, more thrilling than stately, with white marble patterning let into its wide red flanks. The gardens have

large trees and a multitude of bright green parrots. We notice that the caretaker of the inner sanctuary has a heavy scar across her forehead. Deepa has a word with her and tells us that she was run over by a bullock cart while still a child.

Little by little, I begin to think, we really are discovering a pre-Lutyens Delhi.

At evening we come to the park where the great state cremations of modern times have taken place. Here, are memorials to Nehru, his daughter Indira Gandhi and both his grandsons (the two sons of Indira), Sanjay and Rajiv. The latter, of course, became prime minister when his mother died and was himself assassinated in 1991.

The monument that seems to matter most, however, is the one commemorating Mahatma Gandhi. It consists of an open square with what appears to be an altar at the centre. Even in the fast-falling dusk, visitors are still arriving in good numbers - clerks and schoolchildren, a flat-capped Muslim motorcyclist dangling his helmet, a young woman with 10 toe rings and bangles half way up her arms. Each lays a flower at the altar, presses palms together in salutation or prayer.

It is definitely a far cry from Lutyens and Baker.

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